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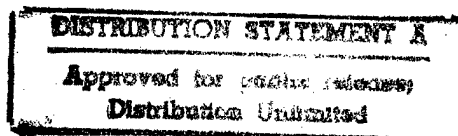
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25 August 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2308



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25 August 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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ERRATUM: In JPRS 81225 of 7 July 1982, No 2291 of this series, in the article entitled "Support for Unprofitable Agricultural Establishments Outlined" on page 22, the beginning of line four of paragraph two should read "...no more than 0.09 and 1.58 percent, respectively", supplying the missing word "percent."

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INTERNATIONAL AFFAIRS

WESTERN ECONOMISTS DISCUSS CHANCES FOR BLOC ECONOMIC REFORM

Duesseldorf HANDELSBLATT in German 11-12 Jun 82 p 22

[Article by Ulrich Jacoby: "Outlook for the Planned Economies of the East; Political Caste Clips Wings of Reformers"]

[Text] A few days after the Western economic summit, the Council for Economic Mutual Assistance of the Eastern bloc (COMECON) was scheduled to hold its annual session. At the center of the economic deliberations of the member states, are the evolution of internal trade, foreign debts, and the harmonization of the countries' five-year plans. Since defense expenditures have been rising steadily, cuts must be made in the areas of civil investment. There is also little room for an increase in private consumption. In what direction are the columns of the planners moving? The following analysis is based on the results of an economic colloquy at NATO headquarters in Brussels.

As far as economic growth was concerned, the COMECON countries could look back upon quite positive development in the last decade. Except for Bulgaria and the USSR, the growth rates remained at the high level of the 1960's and declined slightly only toward the end of the 1970's. This trend strongly contrasts with the outlook in this decade. A detailed prognosis predicts a further decline in growth rates in virtually every sector of the economies of the USSR and the other six European COMECON nations. In case of continued negative developments in agriculture and lower increases in industrial production, the Soviet economy is going to grow only at an average of 2.5 percent annually till 1985.

Growth for all of East Europe should at best reach 2 percent, and that will happen only if it succeeds in ensuring sufficient inexpensive energy imports (primarily oil) and enough Western credits. Reduced growth rates in the labor pool, lower investment rates, superannuated stock, increasing problems in production, and a high percentage (in the USSR between 12 and 14) of the gross national product being allocated for military budgets were stated to be the principal reasons for a further decline in economic growth in the next few years in the COMECON countries.

In contrast to the West, however, where according to a forecast of the OECD more than 30 million will be unemployed this year, the growing economic problems in the planned economies of the Eastern block were not causing obvious unemployment. Rather, there is a paradox: the shortage of labor despite overemployment. The economic price is insufficient productivity.

Forecasts of indebtedness
by country
(in billions of dollars)

	1980	1985
Poland	22.3	23.5
GDR	11.7	16.1
Czechoslovakia	3.4	4.6
Hungary	6.7	7.7
Rumania	9.4	13.5
Bulgaria	2.6	1.8
USSR	9.4	20.4

As regards inflation, the goal of keeping the cost of living stable, which used to be considered almost a dogma, could not be attained either. Everywhere there have been undisguised price hikes. It was in Poland that prices rose the most, with Hungary, Rumania, Bulgaria, and Czechoslovakia far behind. The evolution of foreign trade, according to Dr Hermann Clement (East European Institute in Munich) was negative for most of the countries. When in the 1970's especially Poland opened up to the West to acquire technology, the communist countries had to accept the disadvantage of a negative balance of trade, not in the least because they hoped for domestic growth impulses from an efficient and competitive export industry. The increases in the prices of energy and raw materials and the decreases in opportunities to export (because of stronger protectionism and recession in the West) brought about large foreign trade deficits which, in combination with high indebtedness to the West-- had the effect of limiting growth and, in Poland, finally led to an outright crisis. Changes in COMECON--an internal price mechanism in favor of the USSR--further worsened the terms of trade for the East European countries which had few raw materials of their own.

Dr Daniel L. Bond of Wharton Econometric Forecasting Associates demonstrated on the basis of a study of his institute how the Eastern bloc countries would probably develop until 1985 and what factors would influence them. The economic trends of the Eastern bloc were and would be influenced mainly by the following factors:

The continuous rise in the cost of central planning and management, which can be reduced only by radical restructuring;

Generally lower productivity, which, when combined with a lower rate of increase in the labor force, necessitates the transformation of extensive growth;

The lack of opportunity to consume, despite higher disposable income, inhibits the cash flow. The resulting absence of incentives might also have a negative effect on productivity;

Increased productivity in agriculture and dependence on poor harvests caused by unfavorable climatic conditions (USSR);

Dependence on exports for hard currency needed to acquire technology and, as a result, being tied to economic trends in the West;

The division of national income among defense, investments, and consumption as determined by political, military, social, and economic conditions.

Since Soviet defense expenditures have been rising steadily at an average rate of 4 percent annually in real terms, not only have cuts in civil investments had to be made, but there is also little room for increasing private consumption. However, the other COMECON countries are expected to improve slightly their rate of consumption and productivity. The reason: the rising pressure of depressing economic trends will sooner or later demand economic reforms. The latter at present tend to go in the direction of a "centralized pluralism," which permits firms to operate more or less as autonomous units.

An example of this sort of phenomenon is the fact that some companies are allowed to determine their own prices and wages. The decision of how to dispose of profits is left entirely up to management, which pays varying wages and bonuses depending on the quality of the work performed. It is especially in the GDR that experiments of this kind are being conducted and where a number of Japanese management techniques have been adopted. Hungary, on the other hand, has created a general economic framework that offers special incentives for small companies headed by individuals. This is partly a result of extensive agreements on cooperation with Western nations.

The principal resistance against a continuation and expansion of reforms still comes from the party political elite of the respective countries and from the distrustful and unfavorable attitude of the Soviet Union. However, the USSR is expected to permit the East European states more freedom to experiment with reforms since the costs of retaining the inflexible Soviet system are so high.

Numbers Reflect the Problems

Between 1976-80 Moscow was especially able to improve her position in East-West trade. Whereas imports from the West rose from \$18.5 billion in 1976 to \$32.1 billion in 1980--an increase of only 74 percent--Soviet exports went up by 127 percent--from \$15.4 billion to \$35.1. Net indebtedness in 1980--\$9.4 billion--was only slightly higher than the 1976 figure of \$9.1 billion. In this period the value of the oil exported to the West increased from 44 percent to 55 percent of all goods exported to Western countries, although the quantity of this oil was down 20 percent.

The corresponding figures for the other six COMECON countries are as follows: exports to the West rose by 90 percent from \$16.4 to \$31.1 billion, whereas imports went up 55 percent from \$22.4 to \$34.8 billion. The result was a rise in net indebtedness from \$27.4 to \$56.0 billion in 1980. The projection

of future indebtedness is based upon the prospect that even if the Polish question is resolved and there are no long-term comprehensive trade sanctions, the Eastern bloc will not be able to afford any more large trade deficits. The combined debts of the six COMECON countries will increase from \$56.1 to \$67.5 billion--a reduction in real terms of 20 percent.

Credits granted to Poland will probably not exceed the amounts required to create a basis for repayment of old debts. The steep percentagewise rise in Rumanian debts, on the other hand, is based above all on the credits expected from the International Monetary Fund and the World Bank. It was suggested in Brussels that the West apply a greater measure of "conditionality" in granting loans to the East.

Soviet debts are expected to rise from \$13.8 billion in 1981 to approximately \$20 billion in 1985--a real increase of about 40 percent--as a result of the gas pipeline deal. For this reason, the share of imports from the West will make up about 15 percent more of all of Moscow's imports, while Western imports will comprise about 30 percent less of all imports of the other six COMECON countries.

Due to lower growth rates in the production of oil, the Soviet Union a rather long time ago shifted to replacing oil with natural gas both in domestic consumption and in exports to the other COMECON countries; this permits Moscow to continue to sell quite large quantities of oil on world markets. Since, however, the USSR is hardly likely to be able to maintain its current level of oil exports in the longer term, natural gas is also going to replace oil as the Kremlin's primary source of hard currency in trade with the West.

The future of energy-poor East Europe is quite gloomy. Lower economic growth rates and increased austerity, it is true, will result in a small increase in the demand for energy, but this rise will have to be paid for to a greater extent on the world market with expensive hard currency. At the same time, if the COMECON price system currently in effect is maintained, Soviet oil is going to cost more and more--it will go up 25 to 30 percent in the next 2 to 3 years. By 1985 Soviet oil and coal shipments to East Europe will fall below the figures for 1982. The additional deliveries of gas will compensate for only two-thirds of this loss, and in the end East Europe will have to procure 25 percent of its oil and gas from non-Soviet sources.

Trade and Debt Forecasts (in billions of dollars)

	1979	1981	1983	1985	
Exports	28.7	35.5	40.9	56.5	USSR
to the West	25.1	30.2	36.3	46.8	COMECON*-USSR
Imports	25.1	38.9	45.0	53.0	USSR
from the West	30.1	30.4	36.6	45.1	COMECON-USSR
Net	10.4	13.8	23.1	20.4	USSR
indebtedness	50.4	58.1	66.0	67.7	COMECON-USSR

Source: Bond, Daniel L.: CEMA Growth Projections for 1981-85 and the Implications of Restricted Western Credits. Paper given at the NATO Economic Colloquium.

*European COMECON members.

In light of the already precarious situation of some East European countries, the traditional Eastern trade should stagnate. The USSR will be an exception. The East Europeans will become more active in the oil-producing nations of the Third World; the former will endeavor to meet at least a portion of their energy needs by barter deals and trade and cooperation agreements. The question arises to what degree Moscow is willing to continue to aid East Europe economically despite the fact that the Soviet standard of living is considerably below the East European average. Strong Western trade sanctions and credit restrictions might, at least in the opinion of some participants, soon exhaust the ability of the USSR to assist its allies.

In this connection, two American speakers--Dr D. L. Bond of Wharton Econometric Forecasting Associates, Inc., and Dr John Hardt of the Library of Congress--criticized especially severely the position of a small but influential minority in the United States which favors declaring Poland insolvent and thus reducing Western credits and East-West trade to a minimum. In the opinion of this minority, the USSR and eventually the entire Warsaw Pact would be so overburdened that there would remain only little room for increasing military budgets.

Both speakers rejected such policy as short-sighted and dangerous. First of all, they said, it was foolish to imagine that the Eastern bloc could not survive without Western aid. Second, credit restrictions and reduced trade with the West would only drive the East Europeans closer to Moscow, and third, communist leaders would be given a perfect excuse for the economic mess that they themselves were responsible for and, by pleading the "economic warfare" of the West, they could demand even greater sacrifices from their own populations.

The distribution of economic liabilities and aid in the Eastern bloc is a very complex affair. Whereas Western credits to East Europe amounted to \$58 billion in 1981, Soviet loans over the period 1971-80 seem relatively modest. The USSR, however, sold COMECON countries oil and raw materials below world prices and purchased machines and consumer goods above world prices. In this manner, about \$80 billion moved from the USSR to the other COMECON member states in the last 10 years.

Nevertheless, what the USSR gives, it also takes away. The example of the industrial-military complex furnishes exceptionally good evidence of how the Soviet Union distributes the economic burden of armaments according to existing, dictated states of dependence.

The Military Set the Tone

"The United States has a military-industrial complex; the Soviet Union is a military-industrial complex." This sentence characterizes the situation well. Dr Michael Checinski, a leading party functionary in Poland until his defection to the West and today active in research on East Europe, gave an insight into these relationships.

Military planning has absolute priority in the Eastern bloc. It is carried out centrally by the military-industrial commission in collaboration with the Supreme Headquarters of the Warsaw Pact and the national central planning commissions. The individual projects are classified according to urgency and significance; this is followed by the selection of the projects to be realized. Only then are there consultations about financing these plans.

The projects are distributed among all the COMECON members depending on the economic capabilities of the individual countries--a kind of "division of labor." The plans concerning equipment and weaponry cannot be modified without the consent of the Supreme Commander of the Warsaw Pact, which in the end means that the USSR determines what happens. Therefore, national priorities are reflected only in Soviet defense expenditures, whereas the other pact members have to reconcile their own political, economic, and societal needs and pressure from Moscow.

The USSR takes advantage of its monopoly in armaments and the total dependence of most countries in this area. The Kremlin raises the prices of weapons and dictates the deadlines by which the products and materials are to be delivered as it believes best. In the apportionment of production plans, the COMECON countries are usually assigned the economically and/or technologically uninteresting items.

This military-economic collaboration may have played a part in precipitating the Polish crisis. There has been a report of a case in which Poland was forced to produce goods that required the imports of raw materials and technology obtainable only for hard currency. Since the USSR paid Poland in rubles, the price did not cover the actual input and Poland lost millions of dollars.

On the other hand, Poland is again an example of how the other members of the pact must bear the defense share of an economically weak partner. Since arms are an absolute priority in economic planning, the construction of machines and heavy industry enjoy the position of favorites at the expense of consumer goods and agriculture. The higher defense expenditures rise, the more has to be saved in production factors in other areas.

This, of course, involves the danger of social unrest if the population has not already been psychologically prepared to make sacrifices in consumption in favor of defense. In the field of military and technological progress, great difficulties arise repeatedly, since new weapons systems become technologically obsolete more and more rapidly and modernization proves more and more costly. There is increased danger of poor planning and development, a problem that is especially acute in planned economies.

In the meantime, it seems to be generally understood that an even greater shift from quantitative to sophisticated weapons is the only long-term way to keep up in the arms race. Thus the Eastern bloc has introduced comprehensive research programs which have generally been modeled after advanced Western technologies in order at least not to miss the direction of future trends.

But the difficulties in research, development, and the introduction of new technologies are not restricted to military matters; they are a problem of the entire Eastern economic system.

An essential element of these institution-related troubles is the administrative separation of research and development on the one hand and production on the other. Top-class research and development on the one hand and production on the other. Top-class research and technical perfectionism in highly specialized institutes oppose managers who are compelled by the economic system to plan conservatively and increase output by going down old beaten paths.

The problem is often aggravated by the wretched cooperation among the ministries. The attempt to innovate brings about enormous red tape which causes additional confusion due to unclear division of power. Since most Soviet firms do not need to be concerned with their clients, there is little incentive to introduce new products; on the contrary, an expanded range of goods could reduce profitability. Why should one bet on uncertain short-term changes if premiums are far easier to obtain with the present supply?

The fact that in the long run the USSR will not be able to avoid basic reforms of its institutions is also demonstrated by the rising importance of the shadow economy. As economic difficulties grow, the shadow economy assumes certain functions of the planned economy or supplements them. This legal and illegal private work is usually cheaper, better, and above all faster. Bribes play a major role here to close the eyes and ears of state offices and authorities.

Further ways of acquiring necessary materials are connections, barter, and the black market. It is especially in the construction industry that entire crews have formed that in the 2 to 3 summer months have earned the equivalent of an average annual salary in addition to their normal pay by using almost solely construction materials obtained illegally. In the agricultural areas of Western Siberia, 80 percent of all buildings on the collective farms were constructed in this manner. This means that four-fifths of all construction materials came from outside the state plan. Soviet firms have adjusted their acquisition of materials to the existing scarcity. In the official economy these companies attempt to secure as many material assets and hoard them for barter deals.

Bribes Correct Prices

Bribes correct official prices by raising them to the point where they reflect the scarcity of the goods. Corruption takes the place of reforms that are not carried out, so that the official channels in need of change are

circumvented. The execution of the deputy minister for fisheries a few weeks ago for exporting caviar in herring cans shows the extent of the shadow economy (with its chiefly illegal activities).

The caviar enterprise, which involved an enormous number of accessories, was discovered only by accident. The cost of combating such activities and the determination with which the Soviet regime reacts to them also permit one to draw certain conclusions. The problem of shadow economies is not limited to the USSR but is found in the entire Eastern bloc.

In many areas the shadow economy undermines the official one and causes the latter to function worse than it might otherwise. In other cases the shadow economy cancels out errors and mistakes of the planned economy and leads to a redistribution of income. The administration has begun to legalize some aspects of the shadow economy, e.g., the exchanges of goods between companies. The legalization stops, however, where the substance of centralization is touched. The present shadow economy constitutes a modus vivendi between the forces of centralization and decentralization. Nevertheless, the longer needed reforms are postponed, the greater will become the importance of the shadow economy.

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CSO: 2300/318

INTERNATIONAL AFFAIRS

YUGOSLAVIA TO BUILD COMPRESSOR STATIONS FOR SOVIET PIPELINE

Zagreb VJESNIK in Serbo-Croatian 5 Aug 82 p 4

[Excerpt] After signing a contract to build two compressor stations on the trans-European gas pipeline, construction of which recently started in the USSR, the business association of INGRA [Industrial, Civil Engineering and Construction Export Association] in Zagreb is preparing to sign contracts to build three more such stations. Thus, work at INGRA is now proceeding on two tracks: Preparations are being made to build the first two stations, the Kongurskaja and the Donja Zavodskaja, to which site equipment and people have already been sent; and contracts are being made for further work on this huge capital investment undertaking.

Yugoslav builders expect that they will conclude contracts with the Soviets on building about 20 compressor stations at 5 points on the pipeline. It is now almost certain that Yugoslav enterprises will undertake the construction of three more compressor stations at the same site, according to Mirko Hlupic, assistant director of INGRA, and Cedo Vidovic, manager of the section for construction. What is most important is that an entire construction work organization from engineers to assistant workers can be employed on the Soviet construction site, because these are the contract conditions.

The work on the first two stations, i.e., the first stage, is valued at \$46 million. It will be carried out by the Zagreb "Montmontaza," ATM, "Grijanje," and "Industrogradnja" enterprises. The "Hidroelektra" of Zagreb and "Djuro Djakovic" of Slavonski Brod will be included in construction of the three additional stations.

In addition, our builders are to construct a camp to house the pipeline workers; these camps will later serve as settlements in which the maintenance staff will be housed. In addition to housing, accompanying facilities for future settlements will also be built.

When all work is considered (completion of the first station in 1983 and of the two other ones in the spring of 1984), about 800 builders and installation workers will be involved at the height of the work on only one station.

CSO: 2800/438

FULFILLMENT OF 1982 SEMI-ANNUAL ECONOMIC PLAN

Sofia RABOTNICHESKO DELO in Bulgarian 21 Jul 82 p 2

[Announcement of the Committee for the Unified Social Information System on the implementation of the Unified Plan for the Socioeconomic Development of the Bulgarian People's Republic During the First Half of 1982: "The Party Resolutions Are Being Implemented"]

[Text] During the past 6 months the country's labor collectives in enterprises and economic organizations were mobilized for the further full implementation of the 12th BCP Congress' decisions, comprehensive intensification of production and nonproduction activities, higher work efficiency and quality, as stipulated by the October 1981 national conference, Bulgaria's increasingly active participation in the international division of labor and the further growth of the people's living standards, based of the systematic application of the principles of the new economic approach and its mechanism.

As a result of party-political and organizational work within the national economic complex, the semi-annual state plans were fulfilled and overfulfilled. The net output and social labor productivity resulting from the overall activities of economic organizations and enterprises (excluding those in agriculture) were substantially above the corresponding 1981 period. The proper ratio between the growth of social labor productivity and the average wage was maintained.

During the semester the scientific research units and application organizations worked on 15,066 scientific and technical topics and problems; 2,161 completed scientific and technical projects were applied. A series of industrial robots, memory magnetic tape and disquettes, a plow with a 1.6 m work span and many new items in the textile, clothing, knitwear and shoe industries, etc. were introduced. Five relay centralizing systems and 14 km of automated block-systems, new-design freightcars and others were applied in the railroad system.

I. Industry

As a whole, the economic organizations and enterprises in industry overfulfilled their production and marketing assignments. Above-plan industrial output totalled 578 million leva. The volume of commodity output was [figure illegible] percent higher than during the first half of 1981.

The production growth rates sustained by the basic ministries and departments was the following:

	1st half of 1982 in % of 1st half of 1981
Ministry of Power Supply.....	107.4
Ministry of Chemical Industry.....	98.0
Ministry of Machine Building and Electronics.....	107.7
Ministry of Light Industry.....	104.8
National Agroindustrial Union.....	105.6
Ministry of Construction and Architecture.....	101.9
Ministry of Metallurgy and Mineral Resources.....	105.2
Ministry of Transportation.....	104.8
Ministry of Forests and Forest Industry.....	105.1
Ministry of Internal Trade and Public Services.....	104.7
Ministry of Communications.....	99.2
Sofia City People's Council.....	104.6
Central Cooperative Union.....	108.3

The output of many basic industrial commodities increased, as a result of which the country acquired greater quantities of important capital goods and items for domestic consumption and export.

Production of Some Basic Industrial Commodities

	1st half of 1982	1st half of '82 in % of 1st half of 1981
Electric power, million kw/h.....	20,109	108.0
Coal, thousand tons.....	17,360	110.9
Rolled ferrous metals, thousand tons.....	1,703	105.1
Electric hoists, thousands.....	65	103.1
Gas operated lift trucks, thousands.....	11	110.0
Power transformers, thousands.....	4.3	104.7
Calcinated soda, thousand tons.....	571	104.1
Chemical fibers and fabrics, 1000 t.....	52	100.3
Nitrogen fertilizers, thousand tons.....	396	103.7
Cement, thousand tons.....	2,742	103.0
Paper, thousand tons.....	174	103.1
Furniture, million leva.....	211	107.5
Cotton & cotton-type fabrics, million m.....	182	103.0
Woolen & woolen-type fabrics, million m.....	20	105.5
Shoes (excluding rubber shoes and slippers), million pairs.....	10.4	102.5
Meat, thousand tons.....	227	106.5
Meat products, thousand tons.....	46	102.3
Cheese, thousand tons.....	58	102.7
Kashkaval cheese, thousand tons.....	14.6	110.0
Butter, thousand tons.....	11.6	108.6

The semi-annual plan for the production of cast iron for treatment, ingot steel, rolled ferrous metals, cold-rolled steel sheets, steel pipes, cement, industrial robots, raw cattle hides, polyvinylchloride, phosphorous fertilizers, high-pressure polyethylene, canned fruits, nonalcoholic beverages and meat and vegetable foods for children remained underfulfilled.

The marketing process was accelerated considerably ; 99.1 of the produced commodities produced were sold before the end of June.

II. Agriculture

A series of organizational and agrotechnical measures was carried out during the semester to ensure the planned development of agricultural production on the basis of its further intensification. As a whole, the autumn crops withstood the winter season well. The area which the agricultural organizations put in wheat and barley exceeded the planned figures. The agricultural organizations fulfilled their counterplan for sowing the basic spring crops. Compared with 1981 areas under corn, sunflower, soybean and others was somewhat reduced.

During the better part of the year the weather conditions were not conducive to farm work and crop development. The cold weather during April delayed the ripening of early vegetables and damaged fruit crops in many parts of the country. May and June precipitations were considerably below normal, which required large-scale high-quality care for the crops and plants and faster deliveries of fertilizers, chemicals and herbicides. A total of 505,000 tons of chemical fertilizers were procured. Most agricultural organizations carried out the necessary measures in accordance with the requirements of more modern technologies and within stipulated deadlines. Nearly one half of the corn was planted in hydrophobic high-grade hybrid seeds and almost 90 percent of it during the most favorable season. The crops were intensively irrigated because of the drought, particularly in June, but many areas failed to do everything necessary to make full use of the irrigated areas and the equipment. Some APK were late with inter-row cultivation.

The machine fleet, work areas, vehicles and warehouses were readied at the proper time for the wheat and barley harvest.

Farming organizations and enterprises had the following livestock:

	1 July 1982	1 July 1982 in % of 1 July 1981
Cattle, thousands	1,438	99.5
Including cows, thousands.....	493	101.2
Sheep, thousands.....	7,877	102.5
Hogs, thousands.....	2,703	96.2
Poultry, thousands.....	24,828	86.0

The number of hogs increased in the agricultural organizations in Burgas, Varna, Stara Zagora, Khaskovo and Pazardzhik. The number of poultry increased in Vratsa, Plovdiv and Sofia City and other okrugs.

Efforts are under way to replenish the number of hogs and poultry.

Average milk production per cow reached 1,566 liters or 4.9 percent more than last year. In the first 6 months of the year milk production (with a 3.6 percent fat content) increased by 33 million liters or 3.9 percent. However, egg production declined by 21 million, or 3.8 percent less than last year.

Compared with the first half of 1981 the higher purchases from all category farms totalled 15,400 tons of cattle and poultry meat (in slaughtered weight) and 60 million liters of milk, but almost 36 million eggs less. Lesser quantities of cattle and poultry were purchased in Vidin, Razgrad and other okrugs; , milk in Shumen, Tolbukhin, Razgrad, Pazardzhik and Mikhaylovgrad Okrugs; and eggs in Pleven, Vratsa, Veliko Turnovo and other okrugs.

III. Construction

The construction and installation organizations, in their capacity as main contractors, completed projects worth 1.7 billion leva, or 1.5 percent more than during the same period in 1981. The semi-annual plan was overfulfilled by 0.6 percent.

The subunits of the Ministry of Construction and Architecture overfulfilled their overall plan by 3.0 percent; the overfulfillment of the plan by the main units, such as the Industrial Construction DSO [State Economic Trust], the Assemblies DSO and the GUSV [Main Administration of Construction Troops] was higher than the ministry's average.

Units under the Ministry of Power Supply, Sofia City People's Council, Ministry of Forests and Forest Industry and the construction and installation combines as a whole finished the semester with underfulfilled plans.

Productive capital worth 2,072,200,000 leva was installed. Important national economic projects were commissioned, such as the fourth reactor at the Kozloduy Nuclear Power Plant, the second electrosteel production furnace at the Lenin Economic Metallurgical Combine, the new capacities at the Neftokhim Economic Combine in Burgas, the vacuum distillation system with thermal cracking, catalytic cracking, ethylene oxide and ethylene glycol facilities.

The commissioning of capital assets in enterprises for the production of consumer goods is behind schedule.

IV. Transportation and Communications

The plan for the haulage of a supervised variety of goods was fulfilled by 108.5 percent. Compared with the first half of 1981, the railroad transportation system hauled more than 1.6 million tons of additional freight. Passenger transportation increased by 1.5 percent.

A number of technical and economic indicators improved. Freightcar turnover time declined by nearly 3 hours. Locomotive engine productivity increased by 2.8 percent and the average gross weight per freight train increased by 16

tons. Trucking runs improved by 0.2 percent but the duration of truck working time declined by 1.9 percent.

The plan for income from communications services was overfulfilled by 0.5 percent. Compared with the first half of 1981 income from such services was 6.4 percent higher.

The postal network was widened as a result of the opening of 11 new postal, telegraph and telephone stations, nine of which in villages. A total of 61,541 new telephone sets were installed, 48,877 of which for home use. Another 121 telex stations were opened. Eighteen radio relay stations and 28 television retranslators were commissioned.

V. Foreign Economic Relations

The durable positive trends in foreign trade and other forms of Bulgarian participation in the international division of labor and mainly in socialist economic integration were developed and improved further during the semester.

Overall trade was 6.4 percent higher compared with the first half of 1981. Exports increased by 9.3 percent and imports by 3.7 percent. Foreign trade with the USSR and the other members of CEMA is developing particularly successfully.

VI. Population Living Standard

Positive results in improving the living standard of the people were achieved during the semester.

The average wage of workers and employees in economic organizations (excluding agriculture) reached 202 leva or was 2.3 percent higher than during the first half of 1981.

A number of steps were taken to improve comprehensive population services. The commercial network in town and country was expanded by opening new stores and public catering institutions. Efforts were made to improve the organization of retail sales and the working time in commercial establishments. Various stores and booths were opened in many enterprises and organizations engaged in material production and the nonproduction area. Here the working people can shop at their place of work.

The production of a variety of goods for the domestic market continued to increase. Compared with the first half of 1981 the volume of locally produced goods reaching the market increased by 6.2 percent.

Compared with the first half of 1981 domestic production increased as follows: meat, 7.2 percent; cheese, 1.7 percent; kashkaval cheese, 16 percent; milk, 2.1 percent; butter, 3.4 percent; confectionary goods, 3.4 percent; cotton and cotton-type fabrics, 2 percent; woolen and woolen-type fabrics, 5 percent; shoes, 2 percent; hose, 5.8 percent; television sets, total, 24.3 percent, including color sets by a factor of 3.4; electric

washing machines, total, 46.8 percent, including automatic washing machines, 32.4 percent; household refrigerators, 9.9 percent, and others.

The greater amounts of goods offered on the domestic market made it possible to satisfy the growing needs of the population better and more rhythmically.

The overall retail trade plan was fulfilled 101.4 percent as follows: Retail trade, 102.0 percent; public catering, 99.2 percent.

Retail sales, including public catering, totalled 6,255,000,000 leva or 4.7 percent more than during the first half of 1981.

Demand for some items was not met entirely because of the faster increase in requirements. Many production enterprises did not deliver on time agreed-upon items in terms of volume and variety.

Consumer services continued to expand. The network of reception centers and service workshops was enlarged, including in enterprises and organizations in industry and the nonproduction area. The semi-annual plan for consumer services was overfulfilled. Compared with the first 6 months in 1981 the volume of consumer services increased by a total of 8.2 percent; maintenance and repairs of household equipment, 12.3 percent; maintenance and repairs of radios and televisions, 7.2 percent; car maintenance and repairs, 14.7 percent; sewing services, 4.1 percent, etc. However, major weaknesses in the quality and length of services were allowed to occur in many areas. Shortcomings exist in the procurement of materials and spare parts, which delays the maintenance and repair of various consumer appliances and installations. The quality of services in many workshops remains substandard.

A total of 15,345 housing units were completed and delivered for use during the semester.

The results achieved during the first half of the year are a good foundation for the fulfillment and overfulfillment of the annual state plans and the counterplans (BTA).

5003

CSO: 2200/128

STRUCTURAL CHANGES IN INDUSTRY STRESSED

Prague HOSPODARSKE NOVINY in Czech 25 Jun 82 p 3

[Article by Eng Vaclav Hruby, Technoeconomical Institute of Heavy Machine Building, Prague: "Cutbacks Condition Development"]

[Text] From the viewpoint of today's--and the more tomorrow's--technical and economic conditions, the Czechoslovak machine building and even the entire national economy has too wide a spectrum of production sectors. Nevertheless, efforts at curtailment of productions that hold little promise for the future fail to be implemented in the requisite scope with simultaneous reinforcement of the development of programs with high demand on invention. The author ponders in his article the causes for slow structural changes in production of the machine building sector.

As widely developed a structure of production sectors as is now found in our machine building cannot be found in any other country of comparable size anywhere in the world. It is the consequence of historically exceptional social and economic conditions marking the development of our socialist industry with the objective of expediently providing lasting job security, reducing economic dependence on capitalist countries and overcome the one-time embargo on selected machinery and instruments.

In our conditions, with exhausted manpower sources, it is impossible to attain an adequate concentration of the scientific research and production base for the development of viable production programs without simultaneous elimination or curbing of other programs that hold less promise for the future. Of course, this is no new discovery and some of the conversions that had already been implemented (grain harvesting machinery, railroad passenger cars) are sufficiently known. But for the time being, in our practical approach, we are still far from having a theoretical concept in regard to an effectively sustainable breadth of the prospective structure of our machine building and electrotechnical engineering.

Ministerial departments and VHJ [economic production units] were assigned at the time of the Sixth Five-Year Plan the task of working out a program of

cutbacks in production with little future potential. However, experience once more confirmed that it is much easier to decide what to develop, rather than what to curb.

For example, in 1976 through 1979 no successful solution could be found to negotiations of over 50 thematic proposals for transfer of selected production capacities and manpower into the VHJ Machine Technology Plants to reinforce the above-average efficiency of sectors engaged in production of machine tools and forming machines, tools and measuring instrumentation, particularly by transfer of some plants engaged in metallurgical production and in production of conventional consumer goods. However, from among all the VHJ engaged in machining, the total of actually implemented cutbacks in the Sixth Five-Year Plan amounted in the end to less than 2 percent of the total production volume which, as could be expected, failed to solve the problem of more effective concentration of efforts on viable sectors.

The need for such structural changes is also pointed up by the large differences in economic effectiveness of exports in various production sectors. For example, of limited effectiveness have been exports of rough-machined metallurgical products, simple industrial fittings and mountings, freight cars, metal kitchen utensils, household refrigerators, alarm clocks, radio and television receivers, passenger automobiles; in these sectors, to earn a dollar we must spend Kcs 20 to 40 in production costs, or around Kcs 20 to earn a ruble. On the other hand, there are sectors, such as turbo-blowers, leather-working and shoe-making machinery, precision machine tools, automated measuring systems, where we obtain a dollar for less than Kcs 20 and a ruble for less than Kcs 13 of production costs. Skilled technical services can produce a dollar for even less than Kcs 5.

At the contemporary stage of development of machining, the most pronounced effects on its effectiveness due to these and other factors, is the effect of the technological level of products or--more precisely--the natural ability of various groups of products to absorb the results of new scientific and technical findings. For that reason it is also referred to as the inventive level of products which in various branches of endeavor leads gradually to a varying composition of skills of their personnel. For example, there is naturally and objectively a great difference in regard to inventive level between production of bicycles and of laboratory instrumentation. Significant stochastic dependencies have been found to apply to the effectiveness of Czechoslovak exports in relation to the average skill structure of personnel in corresponding sectors of machining worldwide.

The area of sectors with a limited future potential represents tens of billions in fixed assets and hundreds of thousands in manpower with relatively high qualifications, traditional skills, technical and artistic acuity, who unnecessarily perform less skillful tasks that are also less profitable from the viewpoint of exports.

Which factors are currently retarding structural changes in the national economy? Documentation of the Federal Ministry of Machine Building from 1978 literally stated that efforts to express the economic advantages and

consequences of liquidation or curbing of one set of programs and growth of developmental programs have been failing. That was a direct challenge to economic research. The then introduced set of 11 indicators (without specifying their hierarchical significance) factually did not promote objective decisionmaking. It was just a series of partial views (sometimes even contradictory) regarding the probable prospective effectiveness which did not suffice for objective dealing with the conflicting situations they generated.

Practical advance must follow the path of discovery and computation of the most effective variants for effecting structural changes in comparison with all the demands and effects that condition them. That means preparing for approval comprehensive project documentation for structural reorganization, as is prescribed by directives of the FMTIR [Federal Ministry for Technical and Investment Development] for all large-scale investment actions. Of course, assessment of the effectiveness of structural reorganizations with their complex domestic and foreign interrelationships is so demanding that it will call for direct and responsible participation of the technoeconomical and foreign-trade research apparatus. At the same time, potential economic effects achieved through sale of technical documentation of a liquidated production, or even sale of the requisite technological equipment, which may be of high quality but is too narrowly specialized, must also not be omitted.

For the time being, experience shows that economic pressures on more effective enterprising and implementation of viable structural changes are too weak, both in the area of production for exports and for the domestic market.

Differences in effectiveness of exports are still to a considerable degree being obscured by the system of rebates and surcharges to foreign prices. For example, levies on the exportation of machine tools and farming machinery, which are above average in their effectiveness, are much higher than the means expended by the state for supporting research in these potentially effective sectors. A more clearcut reflection of worldwide price relations is to be provided by gradual implementation of the provisions of the Set of Measures.

For example, 2 years ago there appeared a social need for expedient development of a new sector for measurement and control of heat consumption in residential units in keeping with the state goal-oriented program for improved efficiency in the consumption of fuels and energy. It will be a highly effective sector, because steep increases in the price of energy also permit charging higher prices for the devices designed to save that energy--actually a pricing policy based on the effects on the consumer. An enterprise which will avail itself of this opportunity could easily bring about, shall we say, only two-thirds of its new output (particularly if it will apply to savings in imported high-grade fuels) sufficing to cover the foreign currency resources required for permanent supplementary importation for its formerly liquidated production; the remaining third will be a gain for both the enterprise and the state.

Additional difficulties are generated by the fact that structural changes interfere with a uniform trend of annual increments in planned output. What this needs is: to objectively differentiate in the plan the temporary

decrease in output during the period of structural reorganization; at the same time to correctly plan ahead for the coming years an accelerated rate of growth after completion of structural changes; follow this up correctly with a system of remuneration; that will be a very demanding task for the planning units in both VHI and in central authorities. Even in the largest enterprises of heavy machine building big problems in implementation of the program for development of power-engineering machinery are now cropping up. However, if the theory of potential effectiveness of inventively demanding and simultaneously high-quality products has objective validity, then we should succeed in making their exports reach above-average effectiveness in the future.

The question often arises as to whether structural changes could interfere with job and social security. These are serious apprehensions, to be sure, but nothing that organization could not handle.

After all, it is in the nature of socialist ownership to facilitate planned organized change in such a manner so as not to adversely affect job security. Already in preliminary assessment of the demands and effectiveness of a project, the one-time incentive costs must be made to include considerable supplementary wage payments for retraining of workers and turn-up of new production, possibly for a number of years and generate to that end the requisite surplus wage funds also for future higher average wages for more demanding and skilled work. Later economic effects of a correctly selected variant for structural changes will provide a manifold increase over these conditioning surplus costs, otherwise it would not be an effective and acceptable variant.

After many specialized discussions over the past 2 years proposals for state tasks in economic research for the Seventh Five-Year Plan were prepared. The problem of structural changes is covered mainly by the task Development of Machine Building and Electrotechnical Engineering in the Eighth Five-Year Plan and Until 2000. The outline for this task stipulated that problems of curbing some types of production will receive at least as much attention as development of production. The indispensable followups to other tasks have also already been pointed out, e.g. in regard to effectiveness of foreign trade. It would appear that the tasks are clear at the present and that there is no need to discuss them. However, in my opinion, there are several questions that need clarification.

Making the form of expressing (measuring) the inventive level more precise. If the inventive (or technical, technological or artistic) level looms in the foreground among all the lasting causes for different effectiveness, then this criterion deserves the greatest amount of attention. We must first of all attempt to update the long-term development of indicators of the share of expenditures for research and development in all production costs in various sectors of worldwide machine building, or to express this share by analyzing the structure of personnel qualifications.

Specify more precisely the relation of the terms quality and effectiveness. Not even the top-quality grade of a new product offers any warranty that its

production and exportation will be effective, particularly if it involves a conventional undemanding production program which the technically more advanced countries are already abandoning with long-term orientation on permanent importing from industrially less advanced countries and with an obvious endeavor gradually to push down prices for those products on the world market. Exportation of such products would saddle us with a lasting disadvantage.

Improving the methodology and objective assessment of prospective effectiveness of importation from socialist and developing countries. If liquidation of production is in practice more difficult than development, then the help rendered by research to practical economy in optimum selection of a lasting orientation of imports (as a prerequisite for effective liquidation of production) is even more pressing than the help rendered in selection of most effective orientation of exports. However, practically nothing has been published about the effectiveness of imports as yet.

Scientific justification of whether or not there will be a long-term need for transition to intersectoral structural changes. Historical changes in the hierarchy of key causes for varied effectiveness will probably also be reflected in the nature of optimum structural changes in the production and technical base. While in the fifties and sixties effectiveness of production was affected by the varying availability of similar types, it was still possible to make do with intrasectoral structural changes designed to narrow down the assortment of products within individual sectors. It was enough to reach an agreement, e.g. in regard to international division of labor according to type dimensions (e.g. electric motors) or expansion of commercial trading to improve the assortment of consumer goods.

However, as soon as in the eighties (and, obviously, in the coming decades) the prevalent cause of varying effectiveness will be different inventional level of products, then intrasectoral structural changes will not suffice any more and recourse will have to be made to a more systematic implementation of intersectoral division. Otherwise, small socialist countries would not stand a real chance for adequate specialization and concentration of the resources of their scientific research bases and investments for some selected highly effective sectors highly demanding on investments. With long-term specialization the Czechoslovak research and development base will then be able to prepare truly prospective innovations of a higher order in selected sectors without being formally forced to come with a prescribed quota of small innovations of little effectiveness in certain time intervals in all sectors.

Thus, the social need for planned creation of improved basic conditions for scientific and technical development then objectively becomes the key factor in future-oriented formation of its optimum sectoral structure. This thesis is still a subject of contention and, in the meantime, practice takes the easier route of intrasectoral instead of intersectoral division.

In the theory of management clarify the objective need for increasing the jurisdiction and responsibility of higher levels of management. The widely

based interrelationships of problems in decisionmaking involving liquidation will probably call for a higher level of management than was needed in making decisions about development. It will not be possible to merely require enterprises to present proposals for liquidation or curtailing some areas of their activities--such proposals of a wider scope do not come from the bottom up.

We often say that there is no such thing as objective shortcomings, that there are only personal, subjective shortcomings. Nevertheless, there do exist some objective causes for a permanently differing effectiveness. Our subjective shortcoming is when in the face of these already discovered objective causes and laws we fail to adapt our actions and decisionmaking in time.

Dealing with common specific tasks of science and practice in probing into all cases of continuously sub-average effectiveness cannot be postponed any more. For example, it is known from the reports of the Research Institute of Foreign Trade that in a number of enterprises effectiveness of their exports has been remaining for more than 10 years 30 percent below the nationwide average. Each such finding ought to be dealt with and solved within a certain specified term by a specific project and a decision to either:

--implement key realistic measures to increase effectiveness within a specific deadline with no changes in structure, or

--implement a comprehensive project for structural change (be it intra- or intersectoral) with all internal and external impacts, to include economic assessment of such a change, and specify an optimum deadline for its implementation either in the seventh, eighth or even a subsequent five-year plan.

8204

CSO: 2400/316

CSSR CIVILIAN AIRLINE TRANSPORTATION IN SEVENTH FIVE-YEAR PLAN DISCUSSED

Prague LETECKY OBZOR in Czech No 3, 1982 pp 70-72

[Article by Eng Jiri Nulicek, director of the civilian air transportation department of the Federal Ministry of Transportation: "Czechoslovak Civilian Air Transportation in the Seventh Five-Year Plan"]

[Text] The 16th CPCZ Congress laid down the observation of utmost economy, highest efficiency and quality of all work together with the consistent intensification in all sectors as the fundamental and key condition of further development of the Czechoslovak society and national economy, as the only possible way of overcoming the difficulties and obstacles brought about by the substantially changed conditions of external economic relations, energy inputs and depletion of domestic resources of extensive development.

This basic orientation of the Czechoslovak economy underlies also the orientation of development of our civilian air transportation which was discussed and approved by the CSSR government resolution No 29 on 28 January 1982 on the basis of the report on the further development of Czechoslovak civilian air transportation during the period up to 1985. Air transportation is to meet the transportation needs of the society and of the Czechoslovak national economy most reliably, at the highest quality and as effectively as possible. The limited quantity of airplane fuel must be used in the best possible way in order to satisfy in the first place those Czechoslovak transportation needs which cannot be met by other types of transportation consuming less energy and in which air transportation is irreplaceable.

One of the main tasks is the creation of prerequisites and conditions for effective development of Czechoslovak international air transportation in accordance with the position and mission of air transportation in the Czechoslovak transportation system, and preparedness of our international airports and air transportation routes for further development of international air transportation particularly of CEMA member states including the introduction of the new generation of large capacity airplanes.

The government approved the orientation of further development of Czechoslovak civilian air transportation, including a specific rationalization program, and assigned specific tasks.

In domestic transportation, it tentatively provided for reducing the number of domestic airports, on which air transportation will be carried out, to

Prague, Bratislava, Ostrava, Sliac, Kosice, Poprad-Tatry. According to the results of operation in 1982 which is regarded as a test or verification the possibilities will be evaluated and the decision will be made on whether and in what form and scope transportation will be continued at the Karlovy Vary and Piestany airports. The principal criterion for the decision must be the evaluation of the benefit for the entire society resulting from maintaining air transportation on the routes to these two spas.

The government further ordered to maintain a regular night postal service on the Prague-Bratislava-Kosice route for transportation of daily press and mail.

In accordance with the basic orientation of further development of Czechoslovak civilian air transportation, the CSSR government ordered to ensure in the new conditions by active measures in commercial and transportation activity an effective development of Czechoslovak international air transportation in order to cover the Czechoslovak transportation needs, improve foreign exchange and economic effectiveness while observing the limits set for consumption of airplane kerosene [? Editor: it should be, I think, fuel] and to achieve at least a 10 percent increase in the transportation service by 1985 over the 1980 level. In this context, the government ordered to initiatively strive for purposeful cooperation with the CEMA member states in the integration of air transportation.

In accordance with these principles laid down by the government it is assumed that domestic air transportation will be carried out within the basic network of airports specified by the government during the remaining years of the Seventh Five-Year Plan. The frequency and scope of service on the domestic routes, including the evaluation of the possibility of maintaining an independent route between Prague and Bratislava, and of the scope of service on the routes to Karlovy Vary and Piestany spas will be decided for the plan for 1983 and subsequent years on the basis of the evaluation of the 1982 results and of the possibilities given by the limited airplane fuel supply and scope of tasks in international transportation. As of now it is assumed that domestic air transportation will carry approximately 250,000 passengers a year with the total transportation output of 11 million tonkilometers (tkm).

International regular air transportation will be carried out at the Prague and Bratislava airports on the present routes. The 1982 plan anticipates the transportation output of 143.7 million tkm which represents a 3.7 percent increase in comparison with 1981. In particular the plan provides for an increase in the number of flights on the Prague-Hanoi route in order to ensure Czechoslovak transportation for the Vietnam owrkers, apprentices and students to the CSSR in accordance with the intergovernment agreement on employment and training of Vietnam workers in the CSSR. On other scheduled international routes an increase in transportation volume is anticipated primarily through more effective use of transportation capacity or through increasing it by the use of bigger airplanes.

No substantial changes are anticipated in the routes or in frequency of flights on regular international routes during the 1983-1985 period of the

Seventh Five-Year Plan. The overall transportation volume will increase at least to 144.8 million tkm by 1985 at virtually the same frequency of flights as in 1982. The effort of all units of Czechoslovak civilian aviation, particularly of CSA [Czechoslovak Airlines] enterprise, however, must be directed to achieving a higher performance in accordance with the basic tasks set by the government resolution No 29/1982.

Unscheduled international air transportation will be carried out at the Prague, Bratislava, Brno and Ostrava airports. As in the past, it will primarily provide transportation for Czechoslovak passengers travelling in organized groups to the recreational areas along the Black and Adriatic seas, and other areas of tourism both in the socialist and nonsocialist countries. Special charter flights originating in Czechoslovakia will carry approximately 200,000 passengers a year in addition to tens of thousands of Czechoslovak tourists transported by the charters sponsored by the carriers in the socialist countries. The 1982 plan anticipates the total transportation volume of 22 million tkm on unscheduled international flights which represents a 3.0 percent increase over 1981. In the subsequent years of the Seventh Five-Year Plan, the volume of unscheduled international transportation should slightly decrease in favor of scheduled transportation particularly on the routes with a small number of tourists in order to reduce consumption of airplane fuel.

The development of Czechoslovak international air transportation during the Seventh Five-Year Plan and tentatively up to 1990 is based on the more effective use of the existing network of routes and improvement of economic and foreign exchange results. Operative and conceptual measures will aim at the improvement of quality of transportation and services, more intensive cooperation with the Czechoslovak tourist organizations and with air carriers of socialist countries on the foreign markets.

CSA will expand cooperation with the travel agencies, particularly Cedok, Balnea and Slovakoterma in accordance with the measures adopted by the Government Committee for International Tourism. CSA representations abroad will more effectively participate in the promotion of Czechoslovak tourism and Cedok representations abroad will put substantially greater emphasis on the use of routes operated by CSA. To promote group tourism particularly with the nonsocialist states, use will be made of the so-called government tariffs and so-called part charter tariffs with the mutual hard currency incentives for CSA and travel agencies.

In connection with the interstate agreements tourism signed with Turkey and Malta in 1981, Malta will be used as a stopover on some of CSA regular routes beginning 1983. In 1982 organized groups of Czechoslovak tourists are transported by special chartered flights. The possibilities and commercial operating prerequisites are being comprehensively explored for including Istanbul in the CSA network by extending some of the present routes to the Balkans. By revision of routes to Near East and in cooperation with the organizations of the Czechoslovak State Spas CSA will focus on increasing transportation of passengers from that area as guests of Czechoslovak spas.

Tentative plans are being drawn for further intensification of cooperation with foreign air carriers in the socialist and nonsocialist states and particularly for the forms of joint operation on regular routes between the CSSR and USSR, Scandinavia, but also to the third countries.

The implementation of these measures which are being worked out in detail by the ministries and enterprises aim at increasing the pace of development of Czechoslovak international air transportation above the targets set by the plan.

In connection with the measures adopted for the implementation of the rationalization program in air transportation and particularly for reducing the scope of domestic traffic, the CSSR government by its resolution of 28 January 1982 ordered the adjustment of the number of airplanes in the CSA fleet to the actual needs. Material supplies must be maintained accordingly. This applies particularly to the airplanes used exclusively in intrastate transportation. After their amortization, L-410 planes whose number exceeds the needs of intrastate transportation now will be offered for sale through appropriate foreign trade organization including spare components, parts and material.

The trainer for JAK-40 has already been turned over to the Advanced School of Transportation and Communications, Zilina, for instruction of students at the department of air transportation where it will be used also for training of CSA pilots and pilots of other sectors.

The three remaining IL-18 planes will be put out of service in 1983 and the beginning will be made for the gradual elimination of other types after completion of their technical and economic life. The elimination of IL-62 and TU-134A will begin prior to the end of the Seventh Five-Year Plan. The gradual elimination of these types will continue during the Eighth Five-Year Plan. The airplane fleet will be renovated in order to maintain the planned transportation volume and simultaneously modernized in order to promote further development of Czechoslovak air transportation.

One possible replacement of IL-18 and TU-134A is JAK-42 which represents the most progressive type manufactured by the Soviet aviation industry at the present time and which from the standpoint of transportation is comparable to the products manufactured by other world airplane producers. JAK-42 has 108-120 seats, maximum carrying capacity 14.5 tons, cargo space twice as large as in TU-134A and is equipped for transportation of goods in the internationally usable containers. The maximum range with a full load of 14.5 tons (108 passengers with luggage plus 4.2 tons of goods) including the necessary navigation reserve of airplane fuel is 710 km. With the total load of 9.5 tons, that is 100 passengers with luggage and necessary navigation reserve of airplane fuel the maximum range is 2,100 km. The noise level conforms to the international standard which according to the recommendation of the 23rd general assembly of ICAO [International Civil Aviation Organization] will be fully enforced beginning 1988. The TU-134A and IL-62 planes do not comply with this norm (IL-62M does).

For this reason it is proposed to gradually replace the CSA fleet for medium-range and short routes in the course of the Seventh and Eighth Five-Year Plans. The operation of JAK-42 under the CSA conditions is to be verified by its lease from the Soviet Aeroflot.

At the present time, CEMA SKCL [Special Commission for Civil Aviation] works on the project of joint integrated operation of IL-86 planes. Since the CSA possess enough IL-62 for the period of the Seventh Five-Year Plan, attention of the Czechoslovak partner is focused on the period of the Eighth Five-Year Plan, when the IL-62 fleet will have to be gradually replaced.

The condition of the ground base of Czechoslovak civilian air transportation, particularly of the international Prague and Bratislava airports is regarded as unsatisfactory in some respects already now and even more so in the foreseeable future. With the existing condition of its facilities and equipment in the terminal buildings, the Prague airport is neither ready nor capable of receiving large capacity airplanes for transportation of 300 or more passengers which the foreign air carriers have already put into operation and whose further use is motivated primarily by the economic reasons and reduced consumption of fuel per unit of transportation output. The existing terminal building as well as buildings and facilities for providing passengers with meals and beverages are obsolete and do not meet present requirements. Another shortcomings must be seen in the condition of the systems supplying fuel and other energies which will become in not so distant future limiting factors for further development of air transportation.

The cause must be seen in the stagnation of the capital investment during the Fifth and Sixth Five-Year Plans, when Kcs 226 million were invested in the construction projects at the Prague and Bratislava airports, but primarily in the operational buildings and equipment, in the insufficient preparedness of construction projects and particularly in the shortage of suppliers' capacities combined with the incapability to obtain these capacities in order to meet the needs of civil aviation.

In accordance with the resolution of the presidium of the CSSR government No 250/79, the system of runways at the Prague airport is being reconstructed by the repair of 13/31 strip for taking off and landing (VPD) which was completed in the length of 2,950 meters in August 1981 and has been in operation in full length of 3,250 meters since 3 December 1981. In addition, the work started on the reconstruction and extension of VPD 07/25 at the budget cost of Kcs 224.9 million with the completion deadline 31 December 1983.

In 1981 the reconstruction of the system of runways started also at the Bratislava airport by the reconstruction and extension of VPD 13/31 at the budget cost of Kcs 210.7 million with the completion deadline 31 October 1984.

To remedy the existing situation, the CSSR government by its resolution of 28 January 1982 assigned specific tasks. It ordered to start with the construction of the embarking system and of additional facilities for the domestic traffic at the Prague airport during the Seventh Five-Year Plan. By

these construction projects, the capacity of the terminal building will be increased and adapted to the needs of increasing traffic and particularly to the employment of the new generation of large capacity airplanes.

In this connection the government simultaneously ordered to make a decision on the ways and means of supplying airplanes with fuel and on the manner of clearing of airplanes for takeoff at the Prague airport. The necessary funds for this purpose will have to be provided during the Seventh Five-Year Plan. Preparations must be made within the same deadline for starting the construction of the building at the Prague airport with facilities for providing service during the flight.

In finalizing the draft of the Seventh Five-Year Plan, the government ordered to include the construction of buildings and facilities designed to modernize the supply system for fuel and other energies at the Prague and Bratislava airports in the mandatory construction projects of the state plan. The government instructed the appropriate ministries to assign a big contractor for construction work and suppliers of technologies, and to specify supply systems which will represent the most rational method of construction, including the construction of buildings with the facilities for handling of large capacity planes, and the construction of the building for services during the flight.

At the same time, it is imperative to supplement the CSA technical basis with necessary mechanisms and means of transportation such as heavy duty towing vehicles for airplanes, big airport buses, big tank trucks for airplane fuel, new vehicles with a lifting platform for airplane supplies, equipment for handling and loading of planes and so on. It is anticipated that the clearance procedure will be based on the computerized equipment.

In connection with the general rationalization process in air transportation, the government ordered also to enact necessary rationalization measures in organization, to gradually reduce the labor force in cooperation with the central committee of trade union association of transportation workers and to regulate the funds available to the organization of civil aviation already during the individual stages of the planning process in such a way as to solve all problems, including the new organizational arrangement and introduction of consistent intraenterprise economic management of the CSA enterprise during 1983.

In accordance with the adopted rationalization measures in passenger and freight transportation and other activities of the enterprise, another partial intraenterprise reorganization of the CSA is being planned effective 1 January 1983 in order to improve and simplify management and reduce the number of workers of the management and administrative apparatus.

This reorganization aims at improving and simplifying the system of management and its standard, and reducing the management and administrative apparatus.

Rationalization and economy does not concern the CSA enterprise only, but also other organizations of Czechoslovak civil aviation, particularly the

second largest organization--Air Traffic Control. Although the scope of activity of this organization is not substantially affected by the number of airports which will be operated by air transportation, particularly in the area management and in interest of safety of operation on the flight routes it will be necessary to rationalize equipment particularly in the terminal areas of airports where the traffic is substantially revised.

In discussions of the report on Czechoslovak civil air transportation, great attention was paid to the problems of the comprehensive program of socialist economic integration which must be regarded as one of the basic conditions of further effective and dynamic development of civil air transportation.

In order to implement the CSSR government resolution No 29 of 28 January 1982 and to promote further development of Czechoslovak civil air transportation during the Seventh Five-Year Plan, the federal Ministry of Transportation issued a comprehensive document containing the measures of the minister of transportation which assigned to the appropriate deputy ministers and heads of respective departments specific tasks with deadlines securing the implementation of individual tasks set by the government and of other tasks indispensable for achieving the anticipated development. Closely linked to the measure of the minister of transportation is the measure of the deputy minister of transportation for nonrailroad types of transportation which assigns specific tasks to the organization of civil aviation. The tasks are further detailed for specific responsible workers in the organizations who are listed by name.

In addition to providing for the implementation of measures in the area of economic management, the Ninth department of the CPCZ Central Committee adopted its own measures for their political backing through the party organs and organizations. Moreover, the problems involved were discussed by the deputy minister of transportation with the all-trade union and association organs of ROH [Revolutionary Trade Union Movement]. The appropriate ministries and political and state organs in krajs are informed of the adopted tasks and measures.

The adopted resolutions and measures lay down the fundamental line of development of Czechoslovak civil air transportation and create the necessary prerequisites for it. Their implementation depends upon the organizations of civil aviation, on the active attitude of responsible workers at all levels of management, their close cooperation with the organs of political and mass organizations and above all on the participation and full commitment of the entire large collective of workers in the sector.

10501
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UTILIZATION OF FALLOW LAND BY PRIVATE GROWERS, BREEDERS

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Czech No 7, 1982 pp 330-331

[Article by Dr Jiri Josifko, Central Control and Research Institute of Agriculture: "Protection of Land in Practice"]

[Text] In issue no. 6/82 of EKONOMIKA POLNOHOSPODARSTVA we reported that a number of measures designed to enhance the protection of land resources are currently becoming effective. We emphasized that the work of agricultural organizations must be increasingly focused on problems of future organization of land reserves, in other words, problems of territorial planning.

This was preceded in recent years by an inventory of available land, with all consequences arising from it. One of the decisions based on the inventory and measures adopted toward more intensive utilization of land, was the transfer of land which cannot be used for mass production operations to social organizations, employees of agricultural organizations, and other citizens for their use. This is a very timely problem, since we can anticipate that most of the discussions on the land transfers will take place during the first half of 1982.

In order to reach correct conclusions on this problem, we must begin with the fact that in decades past there occurred a considerable loss of farm land in the construction of recreational cottages. Consequently, the amended version of law no 53/1966 on the protection of agricultural land resources, in the final language of law no. 124/1967, decreed in paragraph 7, section 4, the following: "Agricultural land must not be removed from agricultural production operations for the construction of recreational cottages and other recreational facilities."

The only exception in this strict law is contained in paragraph 29, section 1, which allows the use of land in the vicinity of previously-built cottages, provided such use is in accord with the objectives of territorial planning, and only under conditions stipulated in the law.

We emphasize this ban on the construction of recreational cottages because in all discussions in organs and organizations on the transfer of land to social organizations, employees of agricultural organizations, and to individual citizens, we must consistently adhere to the following specifications:

--land which lies fallow or which is only partially used because it is unsuitable for mass production operations, has priority in the transfer to social organizations, especially the Czechoslovak Small Plot Holders, the Czechoslovak Hunters Union, and the Czechoslovak Breeders Union.

The CSR Government directive no. 81 of 9 March 1977 included the requirement that all land unsuitable for mass production use be transferred on a priority basis to local organizations of the Small Plot Holders Union for temporary or long-term use in the production of fruits and vegetables, possibly for the establishment of communal orchards, as part of the plan calling for more greenery in towns and villages;

--it is however also necessary to emphasize another principle, namely, that the establishment of orchards on the land transferred must not lead to evasion of the law on construction of recreational cottages on agricultural land.

The above-mentioned CSR Government decree was prompted by the fact that in many instances the socialist agricultural organizations hold lots which cannot be tilled effectively due to their dispersal, hilly conditions, remote location, inaccessability, etc.

The basic principles of transferring land unsuitable for mass production operations were set forth in the following binding directives:

1. CSR Ministry of Agriculture and Food directive no. 1274/1978-3 of 7 June 1978 on the transfer to social organizations of land which cannot be economically and effectively used for socialist agricultural mass production.
2. Directives nos. 1/1979 and FM 015-900/1978 of the Federal Ministry of Agriculture and Food of 22 November 1978 on standardized procedures in the withdrawal of farm land from agricultural production in cottage and orchard areas (CSR Ministry of Agriculture and Food Bulletin 1/1979).
3. Directive FM 015-880/1981 issued by the ministers of agriculture and food on the protection of farm land in socialist organizations.

The resolution of this matter was again dealt with by the CSSR Government in its resolution no. 292/1981, and the CSR Government in resolution no. 28/1982. These two documents extend such utilization of land to those small and dispersed lots within the community or enterprise which are not being used by agricultural organizations.

The above-mentioned documents direct that agricultural organizations transfer the lots as follows:

- on a priority basis to those social organizations which use them for the production of fruits, vegetables, grain, fodder, etc.;
- to members and employees of Unified Agricultural Cooperatives, and employees of state agricultural organizations;
- in certain cases, to other citizens as well.

Transfer of Lots to Employees of Agricultural Organizations and other Citizens

The basic method of land transfer to employees of agricultural organizations is contained in section 7 of directive FM 015-880/1981. Article 13 of the directive outlines the terms of the contract on the temporary use of the land which a given agricultural organization must execute with its employee, possibly another citizen. The contract must specify the type of use the land will be put to during the period of temporary usage. So much for the directive on methodology. In legal and practical terms, the following should be added:

- a) the contract on the temporary use of the land with an employee of an agricultural organization or another citizen is a contract on transfer of real estate for temporary usage, which is executed in accordance with paragraphs 397 and 398 of the civil code;
- b) the authority of the agricultural organization to close such a contract derives from the following:
 - paragraph 9 of notice no. 156/1975 on management of national property for lots considered such property and administered by a state socialist organization;
- b) the authority of the agricultural organization to close such a contract derives from the following:
 - paragraph 9 of notice no. 156/1975 on management of national property for lots considered such property and administered by a state socialist organization;
 - paragraph 40, section 'c' of law no. 122/1975 on agricultural cooperatives for lots integrated in Unified Agricultural Cooperatives;
 - paragraph 9 of law no. 123/1975 for lots where an agricultural organization has the right of usage.

In all the above cases, contracts may cover temporary usage only. This precludes contracts for an indefinite period, while not excluding the possibility of automatic renewal for a specific period as long as the contract is valid and had not been terminated. So much for the legal aspects. In practical terms, the following should be added with respect to the closing of these contracts:

1. As regards the type of utilization of the land, the contract should stipulate whether or not the new contractor (or subcontractor) is authorized to plant tall fruit trees. In this respect, consideration must be given to whether such trees would be affected by chemical treatment of neighboring farm land belonging to the agricultural organization.
2. Consideration should also be given to the question whether or not, given the type of neighboring crop, breeding of small farm animals should be authorized.
3. The contract should stipulate in all cases the mode of access to the lot (possibly by motor vehicle), and how the problem of irrigation would be handled.
4. The question of construction on these lots will be the subject of a separate study in which this problem will be dealt with in more detail.
5. Of great significance are the regulations pertaining to the termination of the leasing contract, especially the user's obligation to return the land to the condition in which he had taken it over, unless otherwise stipulated in the contract.

Land Transfer for Small Plot Holders Settlements

The process of transferring unused plots to the Czech Small Plot Holders Union is legally considerable more complicated and we need to become acquainted with certain technical terms.

A small plot holders settlement may arise as an aggregate of farm lots (gardens) without any construction whatever. As long as such plots have no paved areas or any construction on them, their establishment will be a relatively simple affair in which, aside from general provisions in the contract, the only problems will be the access road and the source of water.

In many cases, however, small plot holders settlements will require authorization for some type of construction. This will include construction of reinforced roads, communal facilities for processing the crop (e.g., fruit juices), storage areas for machinery and tools, hygienic facilities and, of course, housing for each member, i.e., small plot holders cottages.

A "small plot holders cottage" is a technical term defined in paragraph 58 of notice no. 83/1976. Such a cottage can only be built in a small plot holders settlement. From this it follows that an edifice which in all respects meets the requirements of a small plot holders cottage but is not located in a small plot holders settlement, cannot be authorized as such. It is perhaps redundant to emphasize that a small plot holders settlement is established only on the basis of a territorial decision, and any construction must be preceded by valid approval under paragraph 13 and law no. 124/1975 on the protection of farm lands.

The following are the limitations in the construction of small plot holders cottages as contained in notice no. 83/1976: "The size of small plot holders cottages, including porches, entrances and cellars, must not exceed 16 square meters. They may have cellars and one floor above ground, but no garrets."

As regards the protection of farm lands, the following legal principles apply in the establishment of small plot holders settlements:

- a small plot holders settlement with permanent structures may be established only where the land has been transferred from national real estate to the Small Plot Holders Union for permanent free use under paragraph 10 of notice no. 156/1975;
- such a settlement with permanent structures may also be established where the land is the property of the Small Plot Holders Union;
- in all cases of land transfer from an agricultural organization where the latter's right to collective or other utilization of the land has been retained, only temporary construction may be authorized in the small plot holders settlement, and only for the period specified in the contract between the agricultural organization and the Small Plot Holders Union on the temporary use of the land. Construction permits may not be issued in such cases for permanent structures.

Another legal point should be mentioned, namely, in any construction authorization process on land in the small plot holders settlements not owned by the union, the original user or administrator (Unified Agricultural Cooperative, state farm, national committee, etc.) participates in the proceedings. Any claim by the original user or administrator that the land was transferred to the union for temporary use only, must be respected by the approving authority, since to do otherwise would constitute a breach of the building code in that a permit would be issued where no right of construction existed.

The decision whether or not construction on the small plot holders land would be considered at all and to what extent, rests entirely with the agricultural organization (or national committee) which transferred the land. This means that the extent of construction must be specified in the contract with the union, including provisions for liquidating any such construction when the term of temporary usage expires.

Withdrawal of Farm Land from Agricultural Production to Small Plot Holders

The procedure for such withdrawal is covered in paragraph 9 and following paragraphs of the Federal Ministry of Agriculture and Food directive no. 015/900/1978 of 22 November 1978 (CSR Ministry of Agriculture and Food Bulletin 1/1979) as follows:

- a) a small plot holders cottage is not considered a recreational cottage in the sense of paragraph 47, section 2, but rather a cottage for individual recreation, the construction of which (provided it is duly authorized) is in the public interest. Under paragraph 10 of the above ministry directive, the only area withdrawn from agricultural production is that which is to be built on, reinforced, or which is to serve as common accomodation for motor vehicles. By reinforced ground we understand areas covered with asphalt, concrete, road panels, paving blocks or gravel;
- b) the request for withdrawal of farm land from agricultural production (as well as prior application) must be submitted by the Small Plot Holders Union. Individual members, even those who intend to build cottages, do not participate in the approval process, nor does the original owner of the collectivized property. In contrast, the agricultural organization which is ceding the land to the union, always participates;
- c) should the advantages of the legislation on the establishment of small plot holders settlements be misused in the sense that, instead of a small plot holders settlement there appears one consisting of recreational cottages, appropriate action under existing legislation will be taken against each builder. Retroactive authorization for the construction of a recreational cottage cannot, under law no. 124/1976, be granted, since the construction was not in the public interest; consequently, the building authority must order its demolition;
- d) As regards arable soil and the sub-soil stratum in areas which will be reinforced in the small plot holders settlements, the obligation of stripping applies, and the district national committee will make the determination of how the soil acquired in this process will be used.

HOG PRODUCTION TRENDS OUTLINED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak (and Czech) No 7, 1982 pp 318-320

[Article in Czech by Engr Frantisek Plocek, CSc, Research Institute for Hog Raising in Kostelec n. Orlici: "Reflections on Prospects of Slaughter Hog Production in the CSR"]

[Text] The hog production branch plays a significant role in the agroindustrial complex and in its continued development. The most significant aspect of hog raising is the fact that it provides for a portion of pork in the total consumption of meat per capita population, and also in the fact that it provides for a certain portion of fats (lard) for consumption purposes and also for processing in the food processing industry and in the production of fodder mixtures. From the viewpoint of the national economy, by-products are also important (pigskin rawhide, bristle, glands with internal secretion, blood, bones). The share of slaughter hogs in the overall marketing production of slaughter animals is about 56.4 percent. Their share of the gross agricultural production reaches about 14 percent.

Production and Consumption

As clearly indicated in Table 1, marketing production of slaughter hogs increased substantially in 1970-1980: In the CSSR from 508,800 tons to 902,400 tons (index 177.4); in the CSR from 358,500 tons to 612,400 tons (index 170.8); in the SSR from 150,300 tons to 290,000 tons (index 193). The number of hogs and sows also kept increasing at the same time: the index of increase of the number of hogs in the CSSR reached the figure of 142.8, CSR 149.2, SSR 132.4. With regard to the number of sows, CSSR 130, CSR 133.3, SSR 124.4 (Table 2). At the same time, while the volume of marketing production of slaughter hogs kept increasing, the production of home production kept decreasing. The number of hogs slaughtered at home in the CSSR decreased from 1,146,193 heads in 1970 to 672,263 heads in 1976 (a decrease of 41.4 percent). For example, in the CSR in 1972-1980 the consumption of pork [hogs slaughtered by farmers for their own use] decreased significantly from 61,800 tons to 32,700 tons (a decrease of 47.1 percent).

Table 1. Development of Marketing Production of Slaughter Hogs (in 1,000 tons of live weight)

(a) Rok	ČSSR	ČSR	SSR
1970	508,8	358,5	150,3
1971	551,1	379,8	171,3
1972	618,1	425,2	192,9
1973	629,9	444,1	185,8
1974	674,1	471,5	203,2
1975	737,1	508,3	228,8
1976	744,6	511,3	232,8
1977	812,4	550,0	262,4
1978	878,8	597,5	281,3
1979	868,8	602,9	285,9
1980	902,4	612,4	290,0

Key:

a. Year

Table 2. Development of the Number of Hogs and Sows as of 1 January (in 1,000 heads)

(a) Rok	(b) Prasat celkem			(c) Z toho prasnic		
	ČSSR	ČSR	SSR	ČSSR	ČSR	SSR
1970	5036,6	3163,7	1867,9	394,8	247,6	147,2
1971	5529,6	3423,0	2106,6	439,6	275,9	163,7
1972	5935,4	3724,5	2210,9	460,5	292,9	167,6
1973	6093,1	3939,9	2153,2	471,8	303,7	168,1
1974	6265,7	4067,6	2198,1	479,6	312,4	167,2
1975	6719,4	4306,8	2412,6	508,1	326,7	181,4
1976	6683,3	4276,4	2406,9	508,6	325,0	183,6
1977	6820,1	4295,2	2524,9	525,6	338,4	187,2
1978	7510,0	4767,7	2742,3	547,7	352,6	195,1
1979	7601,2	4858,1	2743,1	555,2	357,4	197,8
1980	7588,2	4796,9	2791,3	565,1	384,6	200,5

Key:

a. Year

b. Total number of hogs

c. Including number of sows

The CSSR holds one of the foremost places in meat consumption not only in Europe but also in the world. According to some data published at the beginning of 1982 (HOSPODARSKE NOVINY No 1), Czechoslovakia ranks among the first 20 nations in the world and among the first 10 nations in Europe in terms of meat consumption per capita. The development of meat consumption per capita in the CSSR in 1970 to 1980 is given in Table 3. In 1980, we reached a total meat consumption per capita of 85.6 kilograms, that is, 13.7 kilograms more (index 119.1) per capita as compared with 1970 (71.9 kilograms). The share

of pork in total [meat] consumption increased from 47.8 percent to 50.6 percent, while at the same time the relative share of beef decreased from 32.4 percent to 30.1 percent.

In order to compare meat consumption in the CSSR, I am giving the figures on meat consumption in certain advanced European capitalist states: Italy 70 kilograms, Great Britain 76 kilograms, Netherlands 79 kilograms, Denmark 80 kilograms, Austria 87 kilograms, Federal Republic of Germany 90 kilograms.

Table 3. Development of Annual Meat Consumption Per Capita and in the CSSR (in kilograms)

<u>Type of Consumption</u>	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Meat, total*	71.9	81.1	81.0	81.4	83.2	84.3	85.6
Including: pork	34.4	40.0	40.0	40.9	43.0	43.0	43.3
beef	23.3	26.1	26.4	25.9	25.3	25.8	26.4
veal	1.7	1.2	1.0	0.9	0.8	0.8	0.7
poultry	8.2	10.0	10.5	10.7	11.1	11.5	12.1

*Total meat includes beef, veal, pork, lamb, goat, horse, and rabbit meat, poultry, and venison, expressed in terms of the value of meat with bone in, including intestines.

Table 4. FAO Data on Consumption of Individual Types of Meat Per Capita Population (in kilograms)

<u>Type of Meat</u>	<u>Beef</u>	<u>Pork</u>	<u>Poultry</u>	<u>Pork & Poultry</u>
Average for EEC countries	25.4	34.0	12.5	46.5
including Federal Republic of Germany	23.7	52.6	9.2	61.8

Table 5. Conversion of Nutritive Substances in Individual Types of Animals (efficiency in percent)

<u>Type of Animals</u>	<u>Nitrogenous Material</u>	<u>Energy</u>
Broiler chickens	23	11
Turkey	22	9
Hog	14	14
Beef Cattle	4	3

The high production level of slaughter hogs, particularly during the Sixth Five-Year Plan, was secured, while the requirements increased in terms of consumption of concentrated fodders. The share of imports of concentrated fodders in their consumption in animal production kept increasing gradually during the Sixth Five-Year Plan: it amounted to 18.3 percent in 1975, 18.9

in 1978, and as much as 35.4 percent in 1979. This included shares of imports from advanced capitalist states, which increased from 4.7 percent to 8.9 percent in 1978, and to 19.5 in 1979. According to calculations, the CSSR produced 346,000 tons of slaughter hogs (35.43 percent) by using imported fodders.

Grains used as fodder have literally become a strategic raw material in the last few years. The main exporter is the United States, which accounts for almost 70 percent of world exports [as published]. The prices of this product keep increasing. For example, the price of corn increased almost 12 percent in 1980 as compared to 1978, and the prices of barley and soy beans showed similar increases.

Due to a lower domestic grain harvest in 1981 and considerable limitations of opportunities for importing fodder proteins from foreign countries in excess of the prescribed plan, the CSSR proceeded in the second half of last year to reevaluate the present development and structure of animal production. The number of sows and slaughter hogs was reduced to such an extent that the total number of hogs at the end of 1981 was 591,000 heads lower than in 1980. The given measure was naturally reflected also in an adjustment of the plan of production and purchasing of slaughter hogs in 1982, and consequently also in a reevaluation of the consumption of meat per capita, including a certain structural change of that index.

As to the structure of meat consumption, the relationship between the consumption of pork and beef remains an open question. In spite of the fact that in a number of party documents and prognostic types of studies as well as observations and recommendations made by physicians, the emphasis was placed on how to achieve a higher share of beef to the detriment of the share of pork, and there has been no major significant change so far. When the optimum ratio is determined for the nearest future, it will be necessary to take also in consideration our consumer habits and traditions, and furthermore it will also be necessary to consider a change in the type of hogs raised which has been brought about by the implementation of a program of hybridization.

Beef does not typically make up a large share in the total consumption in West-European and Central European countries, as indicated clearly when we compare FAO data concerning the consumption of individual types of meat in kilograms per capita in 1977 (Table 4).

It is interesting to note that the overall consumption of meat in the Federal Republic of Germany has decreased somewhat in the last 2 years: In 1980 it amounted to 91.1 kilograms (including 50.2 kilograms of pork, 21.5 kilograms of beef, 9.8 kilograms of poultry. In 1981, it reached 90.1 kilograms (comparable figures are 49.7 kilograms, 21.4 kilograms, and 9.5 kilograms). A certain exception in the composition of consumption is represented by France, where the share of the overall consumption of beef is about 38 percent, and pork 40 percent.

In order to determine the optimal ratio between the three basic types of meats from the viewpoint of their representation in the overall meat consumption, it is also necessary to compare the percentual effectiveness of the

conversion of the nutritive substances of fodder on meat production (Table 5: data according to a computation of the VUZV [Research Institute for Animal Production] in Uhrineves).

The overall level of meat consumption in the forthcoming years will depend first of all on the opportunities of our own sources of fodder and on the planned imports of fodders. Therefore, we do not expect that meat consumption per capita will increase. In the last few years it has basically reached a limit which is biologically feasible. The total increase of the volume of meat consumption will be influenced by a natural population increase.

The raising of hogs will also be of irreplaceable value in future years, not only from the viewpoint of its principal mission, but also from the viewpoint of ensuring the planned volumes of secondary products mentioned in the introduction.

Development Prospects of Hog Raising

The main organizational measure providing for a continuous process of increasing the utility value is the hybridization program. The results achieved in the implementation of the program have basically confirmed that the prescribed principles of the program are correct, that is, we should improve those types of hogs which provide the maximum amount of meat and in the process accumulate the smallest possible amount of fat, and which retain this capacity during fattening until they reach the average weight of 115 to 120 kilograms.

The CSSR is producing at present 66 percent of slaughter hogs of the meaty type of final hybrids (the task determined at the 15th Congress of the CPCZ was to produce 50 percent of hybrid hogs by 1980 in the total marketing production of slaughter hogs). A comparison of the program of hybridization in the CSSR with the results of certain programs in the world, such as for example the Dutch "hypor" program, has demonstrated that in our program it is possible to achieve equivalent indices, above all in the reproduction utility value and in the fattening capacity.

There is no need to make any basic change in the selection and use of breeding stocks for individual items of the hybridization program, even when we comply with the requirement of providing for the production of the necessary amount of lard, the production of which can be streamlined by the weight of the hogs at the time of slaughtering, or by a suitable combination of the breeding stock.

Since the sources of concentrated fodders are limited, it will be necessary to use to the maximum all suitable and economically efficient feeding systems. In the case of fattening of hogs, for example, it means using waste products which can be fed to hogs and which come from organized collection in homes, public catering establishments, factory cafeterias, and so on. In doing that, one must act on the basis of experience gained in the collection and processing of kitchen waste in the USSR and GDR, where the system has been used successfully for some time. Another possibility is to utilize

waste material from the food processing industry which can be used as feed (waste products from dairies, bakeries, poultry processing, slaughterhouses, and so on), and from other nontraditional sources of feed for animals.

Very good experience has been gained in using these waste products as fodder for example by the Collective Agricultural Enterprise for Animal Production in Rovinka near Bratislava. In the fattening unit with a capacity of 10,652 hogs, the average daily increase in 1977 to 1980 was as much as over 520 grams, with a consumption of 2.44 kilograms of fodder mixtures and 7.6-9.8 kilograms of mash fodder per kilogram of increased weight.

The trend of developing pigsties during the Fifth Five-Year Plan (1971-1975) was to creating conditions for the buildup of a material base for industrial production of slaughter hogs in the course of 15 to 20 years. For example, in 1971-1975 the CSR built 110,000 new and rebuilt pigsties for sows and 806,000 pigsties for other hogs. During the Sixth Five-Year Plan, the extent of investment construction decreased substantially (only 60,000 pigsties were built for sows and 542,000 pigsties for other hogs).

A reduction of the volume of investments for development and modernization, especially during the Sixth Five-Year Plan, resulted in the use of less adequate temporary facilities, such as the so-called safaris, and so on, in which the results obtained were not commensurate with the relatively high consumption of concentrated fodder.

During the present five-year plan, investment construction will concentrate above all on modernization of stables and finishing of modern farms, where it is necessary to create conditions for shift operations. During the following period, new constructions should be concentrated above all in specialized agricultural enterprises, which today provide for more than 25 percent of the total production of slaughter hogs, and which achieve the best results in terms of increases of production and consumption of fodder as compared to the other sectors participating in the production of pork.

With regard to the majority of modernizations and new constructions, it is expected that technological systems which make it possible to use humidified fodder will be expanded. Technological systems will be used in newly built specialized establishments, which will utilize dry fodder mixtures that can be humidified later on, or mobile systems will be used to provide rations of humidified fodder mixtures. The mobile systems will also be used in enterprises with smaller facilities for the raising of hogs, in which farm fodder will also be used (root crops, green fodder), mainly for sows and for raising of brood hogs. The condition for a more extensive use of the given technical systems is that we expand the production of mobile equipment for the preparation, distribution, and rationing of fodder, provide for the production of boiling columns, boiling tubs, slicing machines for root crops, and so on. The same applies to reconstruction of the internal arrangement of stables (expansion of the passages in stables, construction of units for the treatment of fodder, adjustment of troughs).

Hog excrements will be used mostly in the form of liquid manure for vegetable production. In establishments where hogs are kept in high concentrations, one can use cleaning plants for the processing of dregs (anaerobic method of cleaning). Waste waters will be used mainly for irrigation in vegetable production. This technology is relatively costly, and consequently it is expected that it will be used only on a small scale.

5668

CSO: 2400/326

FURTHER DEVELOPMENT OF ECONOMIC REFORM URGED

Budapest FIGYELO in Hungarian 22 Jul 82 p 3

[Article by Peter Medgyessy: "Development of Financial Regulation"]

[Text] The 23 June 1982 session of the Central Committee of the MSZMP gave birth to resolutions for the further development of economic reform. The various professional and scientific collectives are now working out what is to be done. At present this work is still in the stage of working out and debating various concepts and methods. So in this article I will outline one or two ideas connected with financial regulation.

Mobilizing Social Capital

Export-oriented economic development makes necessary much greater mobility of social capital than heretofore. A key question for modernizing financial regulation is how to encourage the flow of assets between enterprises in order to have the available resources flow from less efficient enterprises to more efficient ones. Encouraging this movement is a condition for the enrichment of national property. In the interest of this we must reduce the various limitations holding back the flow of assets, must decrease the rigidity of the sectoral boundaries. From this viewpoint it is especially true that the value of proposals is defined not primarily by the radical novelty of them but rather by the reality of their realization, by their favorable effect on swift development.

It would be justified to increase the interest of the enterprises in handing over assets (issuing enterprise bonds) but at the same time greater pressure should be exerted to make weak, bad enterprises give up their assets, sites, factory units or superfluous manpower more easily. The frameworks of this mechanism must be developed on a continuing basis, because changes cannot be achieved at one blow or by sleight of hand. The process of change must be started as soon as possible, because the national economic need is urgent and delay will result in a further piling up of lost profit.

The owner and the manager are not separate in the socialist economy. The enterprise director is at one time the manager and the person responsible for the usufruct of the property. The state exercises both functions at one time; indeed, it also acts as the organization laying claim to the

income (the fiscal state function). The task is to have the conflict of these functions make an appearance but to be resolved in such a way that in the process social assets are used most profitably. When developing the economic mechanism over the longer run we must develop a modern system for the exercise of the ownership functions, so that he who acts as owner will think as owner too. I have found, in the debates and in the columns of the professional press, three proposals concerning this which are worth considering: a competition system for leaders, a new function for the director's council or the creation of a new type of supervisory committee. Some of these could be used, in my opinion in the near future.

A full automatism of assets flow cannot be realized in the socialist economy, such market mechanisms cannot function. Thus we must continue to calculate that withdrawing assets will remain largely a state task. This is especially difficult in those cases where what is involved is low profit but not yet deficit activity and where rationality would justify assets withdrawal. What is required is, on the one hand, that regulation not conceal the truth and, on the other hand, that there be forms of assets withdrawal which force more effective work with, perhaps, a narrower sphere of activity. It is important that the "command" mechanisms of the developing conflicts be capable of functioning also. In the first place, manpower movement may represent a problem. An institutional network has developed in the recent past to serve as an intermediary for manpower which is becoming superfluous. Salary payment should be continued--temporarily--until a suitable position is found. Possible retraining is a separate task which must be solved in some way at the burden of the state.

The chief trend of assets flow must be maintained in some form in which interest and the increased quality and profitability requirements are realized better than at present. Among other things this will require a modernization of the amortization system.

In the interest of an ever more rational placement of social capital there should be a study of the developmental possibilities of the obligatory contribution fund system, expanding the sphere of fund contributions. In place of the fixed contribution one might create the possibility of payment which is partly fixed and partly varying on the basis of effectiveness. It should be possible for the enterprises to issue bonds while creating the appropriate incentive. We should look into the possibility of transforming supports into developmental support. Much more severe rules than at present should be used against indebted and weakly managing enterprises.

Price and Exchange Rate

It is an important requirement for the further development of the price system that it better reflect the efficiency differences of the economic units. An attempt must be made to greatly reduce the supports and skimming which distort the price system.

In regard to a further development of the price system it appears that as long as we cannot create real market competition in the national economy the only

possible solution will be competitive price formation, burdened with contradictions. This is better than a production cost price but it is less efficient than a market price realizing broad import competition. Since the possibility for imports is limited (and it probably will not be otherwise in 1984-85), we should try to apply cooperative price formation in a broader sphere and with suitable flexibility, thus gradually approaching a real competitive price.

Exchange rate policy is linked to the price system also. It has the important task of helping to create an economic balance and contributing to a defense of the stability of the forint. It is a requirement in connection with the development of the exchange rate system that it help import regulation and encourage export in such a way that the rate of exchange will provide a background for export economicalness. Although we have achieved significant results in exchange rate policy in recent years a further development of economic regulation prompts us to rethink the effects produced by the exchange rate.

In exchange rate policy a behavior is justified which increasingly takes into consideration our interest in making imports more expensive, using economic tools, in the interest of improving the external economic balance.

Export interest should be increased especially where this greatly improves the net foreign exchange profit of the national economy. The present exchange rate level should be re-examined, and possibly the parity of the forint should be modified in several steps. The recently executed exchange rate changes served this.

In connection with the price system there should be a re-examination of the implementability of the market organizing role of the state and of various possible methods for this, because use of competitive prices places new tasks on market supervision--in addition to adhering to the game rules of supply and demand.

Withdrawal and Support

The chief direction for the development of our financial system is to increase profit interest. An important condition for this is increased costs sensitivity of the enterprises. We must strive to realize in the national economy a mechanism which makes it possible that the market should not accept prices which are too high. This makes necessary a comprehensive re-examination and modernization of the decision making system, including the withdrawal and support system. In the course of this we must analyze the operational experiences of the budget and credit system.

In connection with this emphasis must be given to the necessity of increasing withdrawals proportional to wages. State expenditures in connection with reproduction of the labor force are constantly increasing. This goal could be realized with various methods: it could be realized via the consumer prices (this would help make consumer price ratios more realistic) or by building it directly into enterprise costs. Increasing the role of net income

proportional to wages is indispensable for more costs sensitive management, and thus for developing intensive interest. In addition a drastic reduction in supports is desirable also, although we must continue the policy of constant recentralization, with its well known faults.

It appears that taxation in the form of an added value turnover tax also merits attention. This tax should not pile up, should not actually burden the producer's price and should be realized with only a few tax keys, thus directly linking consumer's and producer's prices. This might produce a better conditions system (together with an accelerated amortization system) for a state preference policy and for a realistic valuation of foreign currency even at an unchanged exchange rate level.

Changing the income control system is unavoidable. The base view, increment type wage regulation system must be replaced with regulation which is linked to the profitability level, combining with this the possibility of wage increases (linked to the ability to bear the tax). Certainly it must be made possible for the enterprises to choose between so-called central wage regulation and wage regulation tied to profitability. Personnel savings should be encouraged more rationally than at present with financial tools. There is need for progress in leader interest and in liberalizing enterprise categorization.

Operative Measures

There may be many viewpoints for changing regulation. One could justify the need to increase the internal logic (its inconsistency) of the system, to increase selectivity, to accelerate effects and in addition, or in combination with these, to keep buying power within rational limits. In the middle of this year--as is well known--it became necessary to modify a few of the regulators. The justification for these changes is basically that there was a need, as a result of the deterioration in foreign financing conditions, for selective measures to restrict buying power and for accelerating the changes. This was supported by internal processes also, because internal use was not developing in accordance with our intentions and enterprise reaction was slower than was required by the deterioration in external conditions.

Our economic tasks today make it indispensable that there be an expansion of measures of an operative character, in addition to the general process regulation. From the viewpoint of our further development these measures cannot be postponed. But we must avoid mistaking these measures for steps deriving from a longer term strategy and imagining that the two take the place of each other. We are talking about supplementary steps. In the given situation it would be a fatal error to neglect the operative measures, but to make a law out of the sum of them would be a misunderstanding and the source of no small problems.

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AGRICULTURAL PROSPECTS FOR 2000 VIEWED

Budapest NEPSZABADSAG in Hungarian 29 Jun 82 p 4

[Interview with Istvan Lang, deputy secretary general of the Hungarian Academy of Sciences (MTA), by Istvan Almasi: "Our Agriculture in (the year) 2000"]

[Text] How much can agricultural production be increased? Considering our natural conditions, how much can agricultural production progress in this country by 2000, the turn of the millennium? These are not questions without interest in a country that can conduct agricultural production on a large percentage of its land area, even by international standards. And they are not without interest in a world in which even today food is valued highly--and according to predications food will be valued even more highly in the coming years.

These questions were also placed on the agenda of the MTA's general meeting held in May 1978. It was decided that members will try to define the answer with scientific methods. How did they proceed in this work, how far did they proceed and what are they doing in this area? This was the topic of the conversation of our reporter with Istvan Lang, deputy secretary general of the Hungarian Academy of Sciences [MTA].

[Question] Perhaps it could be defined a little more precisely what the researchers and scientists undertook?

[Answer] Since the natural factors play a significant role in agricultural production, we have undertaken primarily to evaluate these or, in other words, to measure the agroecological potential. We studied the agriculture's natural environment, the given conditions of the soil, hydrology and water management, temperature and amount of sunshine. We divided the country into 35 regions, in order to determine theoretically how large a crop is made possible by the given natural and agroecological conditions.

The given genetic characteristics of the crops also had to be evaluated, and to what extent breeding can improve the producing ability of crops on the

basis of what we know today, without any particular methods involving new and revolutionary changes. Summarizing the production experiences of the individual economic crops was also indispensable in order to measure the production increases expected by 2000--that is, in about 20 years--using the methods of system analysis for the final results.

[Question] Where are you, how far did you get?

[Answer] The collective evaluation, in which five other national institutions joined, has been concluded. A total of 400 researchers and experts--who directly participated in the work--evaluated the possibilities and made their prognoses. Following this, hundreds of experts working in production debated the topic in six regions.

[Question] What conclusions can be drawn from the studies and debates?

[Answer] The study of the agroecological potential and of the given natural conditions clearly indicates that there are large reserves in agriculture as well as in forestry. Our country's climatological conditions offer the opportunity to increase agricultural production. Among the natural factors, the yields of crop production will be determined primarily by soil and the water supply. Rational soil and water management have very great significance. Among the more important climatological factors, primarily the distribution of precipitation and its unfavorable fluctuation from agriculture's viewpoint most endanger the reliability of production. The modern production technologies, soil improvement, water management--that is, the improvements that increase the soil's producing ability--can do much in the interest of increasing the climate tolerance of plants and improving their regenerating or renewing abilities.

[Question] The given natural conditions do not occur automatically. What is needed to make use of these for the country's benefit?

[Answer] Naturally, as in the past, many things will be needed. Dozens of very important conditions can be listed, from the proper agricultural policy to the professional knowledge of people, from their more industrious work to creating the right economic and technological conditions. If these are missing, yields will not increase.

[Question] If everything develops favorably, how large a crop will our agricultural operations be able to harvest at the turn of the millennium?

[Answer] According to the evaluation, the country's given natural conditions would make it theoretically possible to increase crop production, or more precisely the total plant yield--including the forests--by 80 percent. Naturally, this is an average number. There are very large differences between the so-called standing crops (grape, fruits, forests), the plowfield crops and the horticultural crops.

[Question] The success of domestic crop production is quite well defined by plowfield crop production. How large are the yields expected in this branch by the turn of the millennium?

[Answer] In addition to those already mentioned, a whole series of factors must be considered in order to prognosticate the expected yield of individual plowfield crops with sufficient accuracy. If we more or less keep the present planting structure, we can expect a nationwide average of 5.3 tons per hectare by the turn of the millennium, with the present natural conditions of the production locations. If we improve significant areas, then the yield could be 6.1 tons per hectare; with full improvements and by using our irrigation opportunities it could even be 7 tons per hectare. The expected average yield of corn per hectare--in the same three variations listed for wheat--are 6.5, 7.5 and 9.3 tons, respectively.

Detailed evaluations have been prepared for 13 plowfield crops. The subjects of the analyses were our most important plowfield crops--wheat, corn--and other including the sunflower, sugar beet, potato and some protein crops, such as peas, alfalfa, red clover and soya. For sugar beet--depending on how the circumstances develop in the growing locations--we can expect yields between 43 and 57 tons per hectare. Nationwide average yields of 26 to 38 tons can be expected for potatoes, 2.7 to 3.3 for sunflower and 2.5 to 3.6 tons for soya.

[Question] Whether we are talking about expected yields or expected total harvest, many variables were considered during the studies. These variables indicate very large differences in yields, depending on the extent of improvements by the turn of the millennium. Why are these large differences?

[Answer] They occur because the quality of the growing soil and water management--that is, the conditions at the growing site--are very definitive in crop production. If--according to one calculation--we spend 14 billion forints by 2000 on improving the growing site conditions, on amelioration, we can expect significantly smaller production increases than if we spent 42 billion forints. At least these larger yields and additional production, which can occur under better conditions at the growing site, vigorously direct the attention to the significance of amelioration. The evaluation showed the natural and biological possibilities. The implementation of economic growth is a very complex task. If we can or plan to provide fewer of the conditions, the crop increase will also be smaller.

[Question] Another collective evaluation began last May--in which several central institutions are participating--to examine the long-range possibilities of exploiting the materials of biological origin, the so-called biomass. Half of the planned 2-year period has passed. How far along are they with this evaluation?

[Answer] Twenty working committees were formed to solve the problem. The investigation is being concluded. What is left is working out the most favorable methods and variations of utilization. According to the statistics of the main agricultural department of KSH [Central Statistical Office], a total of 54 million tons (converted to absolute dry weight) of vegetable material--or biomass--was formed in 1980 in agriculture and in forestry. The proper utilization of this huge value justifiably occupies domestic and international research.

At present we use approximately one-half of the biomass created on our producing land. This is the more valuable and more easily utilized half of the plants. The big task for science is to uncover the possibilities of economically utilizing the byproducts in addition to the main crops. This mass of vegetable byproducts contains roughly 20 million tons of absolute dry material, the same amount that we produce each year in our coal mines.

[Question] Biotechnological research is mentioned more and more often. What does this concept denote, and how far along are we in this area?

[Answer] With the combined use of biochemistry, microbiology and the technical sciences, science is working on building the microorganisms, the cells produced in tissue, or some parts of them, into the production technologies, thus making use of them. In practice, by the end of this year one research study must be completed, it deals with the improvement of biotechnological processes in agriculture and industry. Enzyme treatment of the various yield-improving materials and cellulose-containing byproducts--and one could go on and on listing the possibilities that the biotechnological research projects and their results may provide--may in many respects revolutionize certain areas of agricultural production.

[Question] How far have we progressed with these research projects on an international comparison?

[Answer] All over the world more attention is being paid to increasing the amount of biomass, to making its production more economical, to finding the best methods of using it, and to biotechnological research. Results have been achieved in Europe, particularly in France, and in other parts of the world--in Japan and in the United States. We observed this in time and are following the leaders without major lags. This is also the obligation of the Hungarian scientific life. The research of those interrelationships to the domestic agricultural production are useful because they can be easily built into long-range development plans of our economy. They will increase the safety of the path of growth and help in the more complete utilization of the opportunities of this important branch of the national economy.

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FLUCTUATING EXCHANGE RATES CAUSE PROBLEMS FOR ENTERPRISES

Budapest FIGYELO in Hungarian 22 Jul 82 p 2

[Article by Janos Loblin: "The Exchange Rate and the Enterprise"]

[Text] Watching the exchange rates and building them into plans and calculations is causing difficulty for the enterprises. The uncertainty is partly the result of objective factors--market changes. But they must get used to the idea that the calculations must be regularly modernized.

Present methods of enterprise planning are not suitable for including the effect of price and exchange rate changes in the plans in time, or even in calculations based on short term forecasts (for example, in calculating the economicalness of investments). According to a number of surveys the reliability of enterprise plans can be questioned primarily from the viewpoint of value processes, planning with results in view. When preparing their 1981-82 plans the enterprises did not consider, or hardly considered, even those monetary changes which could have been foreseen already or which took place during plan preparation. The information was not unavailable to the enterprises, especially in the case of exchange rate changes which had taken place already. The magnitude and direction of expected changes in exchange rates could have been predicted on the basis of the link of the regulator system with external market price changes also. But such forecasts are still rare. The lack of them is shown also by the fact that indexes calculated, in the plans, in forints and foreign exchange differ little from one another while the actual indexes differ from one another greatly. From the viewpoint of considering the direction of exchange rate changes what is important is not the deviation from the plan figures but rather the fact that the deviation of the forint and foreign exchange data from one another is very significant compared to what was planned.

Not only the magnitude of the change but even a recognition of the expected direction of the change is not reflected sufficiently in the plans (for example, in light industry). At the same time, a number of cases show that where the plans are prepared not with annual "plan breakdowns" but rather with actualization corresponding to changes which took place in the meantime they approximate the actually occurring situation much more realistically (for example, in some metallurgical, vehicle manufacturing, instrument and pharmaceutical industry enterprises).

This is reflected as follows in combined data:

Difference in the Indexes for Capitalist Export Growth Measured in Forints and in Dollars (in percentage points for the forint index-dollar index)

Branch	1981/1980 Plan	1981/1980 Actual
Mining	1.0	5.1
Metallurgy	- 2.0	5.1
Machine industry	- 1.0	6.4
Chemical industry	- 2.2	16.6
Light industry	12.6	5.7
Total	0.5	6.1

The enterprises more affected by export and carrying out convertible export took into consideration better and forecast more precisely, at the time of planning, the changes in the value ratio of foreign currencies, including changes in the forint exchange rate, than did the others. At the time of planning the values measured in forints regularly fell considerably below the data expressed in foreign exchange.

Naturally, changes in market conditions have a stronger effect on those enterprises which, feeling the effect of obviously more unfavorable foreign currency ratio changes or because of their contractual obligations or the nature of their products, were unable to change or expand their markets in time or were unable to modify their contract conditions to protect themselves against the reduction in profits to be expected.

Although planning methods have become more modern, taking into consideration the foreign exchange structure does not adequately orient market selection. Even at a time of constantly worsening marketing conditions the enterprises do not turn adequate attention to the value or financial aspects of management, to stabilizing the level of their receipts and to actions which might improve their foreign exchange structure. This effort hardly motivates their market orientation.

The rate differences for export growth predicted for 1982 suggest that the enterprises continue to expect a relatively significant part of the forints receipts increment from the devaluation of the forint while basing the profit improving effect on their price work on the very questionable average market price indexes.

Although according to some evaluations the enterprise plans reflect cautious developmental behavior, the facts show that the enterprise investment

intentions did not develop in accordance with economic realities in 1981, and the 1982 plans projected this forward.

From the viewpoint of the treatment of rates of exchange the significance of this is that developmental thinking is frequently based on possibilities which have been overestimated on the basis of untenable price and market forecasts. A role is played in this by the fact that they expect incentive to come, to an exaggerated degree, from the rate of exchange. This is a danger that in this way the enterprises will become isolated from external market price (demand) and exchange rate changes.

If production is profitable in forints they do not pay sufficient attention to the development of external market prices, or to the forint exchange rate of the currencies of potential customer countries. In addition to export receipts lower than what would be possible there is also the disadvantage that the advantage given in the price will make the demand level of the given market appear to be permanent. This prompts the enterprises to make investments after the fact or to create capacity to satisfy new demand which may appear. If the uncalculated exchange rate changes finally eliminate the apparent advantages, or a part thereof, part of the capacity of the enterprise becomes superfluous, because demand sinks to the normal level as a result of price increasing attempts or a market recession developing in the meantime.

The same result might be achieved--even without investment--with good price work and by using appropriately actualized calculations of exchange rate changes. (Naturally, very many other factors also influence the development of market conditions and one cannot ignore the need for technical development either, even in the case of investments to "maintain the level," but at the same time it would be a deficiency to ignore the viewpoints mentioned above.)

The enterprises have a number of other possibilities to moderate prices and exchange rate risk in addition to the already mentioned "actualization." (For deals in process this goal is now served by exchange rate insurance.) In the course of forecasting special attention must be turned to, for example, the development of interest rates on the money market and to the so-called time limit exchange rates of certain foreign currencies. Use of time limit exchange rate quotations in the calculation of short and longer term deals could help moderate the risk of the enterprises. Technically, appropriate information about the development of interest rates and exchange rates could be gotten to the enterprises easily and from the methodological viewpoint interest rate differences can be transformed relatively simply in the course of calculations into price or exchange rate differences.

In the place of stable calculative interest rates it would be more rational to use dynamic calculation methods based on differences in interest rates than in calculating the economicalness of investments.

Because of the narrowness of the resources which can be turned to development, the minimum requirement for economicalness should be that the profit from the development at least reach the magnitude of the prevailing money market interest rate. Knowing the present market and interest rate conditions this will require significant extra performance from the enterprises and will require high profitability from the investments to be realized.

SMALL BUSINESSES IN SERVICE SECTOR NEED MORE HELP

Budapest NEPSZABADSAG in Hungarian 20 Jul 82 p 3

[Article by Miklos Siman, director of the Central Service Development Research Institute: "Small Service Businesses"]

[Text] The development of services for the population has been very spectacular in the past 10 to 15 years with the value of certain activities--for example, vehicle repair--having doubled. Today we may say that we can generally satisfy overall mass consumer demands.

Despite this, the situation is not satisfactory. A number of services--for example, construction improvement--have lagged quantitatively and are even less able to carry out special tasks; complaints are widespread about services in the broad sense of the term, including deadlines, reliability, and so forth.

As is evident, the problems are primarily qualitative and not quantitative in nature. There are several reasons for this.

The rise in living standards in the past decade and the improvement in living conditions have put new requirements on services with which they are unable to keep up.

Formerly, the regulatory system in a given sphere promoted the quality development of services with many subsidies. But since this support did not adequately advance a quality change, and in this area, too, it is more and more the normative regulators that are being implemented, we must seek for other ways to meet the higher level demands that are presenting themselves in wide scope.

The fulfillment of these quality demands depends to a large extent on the organizational and interest system. Services must be made available in a decentralized way in places close to the population, and in many small units. At the same time, the general centralization process of recent decades has been realized also in the case of service, but the many small units have been brought together into a relatively few large organizations. In addition to the fact that the central management of scattered units represents more administration and more costs, these large organizations are less able to adjust to

the frequently changing needs of the customers. Experience at the same time shows that demand always finds its method of supply, and as a consequence "the second economy trade" and often illegally performed work play a great role in the area of services.

That is why in the field of services also we are looking with greater expectations to the new, variable organizational forms which become available for use at the beginning of this year. Hopefully, this possibility will also stimulate individual initiatives, and thus in the end services will improve both in quantity and quality, and competition will become more lively.

Initiators

Experiences show that for the time being initiative is taken by those desiring to do business rather than the service organizations. Although until now we can speak mostly of interest, a number of small organizations have also been founded, chiefly in areas where the demand for capital is relatively small and primarily intellectual and physical work is needed. It should also be noted that those undertaking such services frequently do not give up their main place of work, but continue there along with their business activity. With this they reduce their risks and maintain their existence security.

A role is also played in this by the fact that calculations frequently show that in addition to the new organization and regulational conditions (taxes and so forth) there is less available for personal income from the same amount of revenue than before.

Actually, for the small service businesses and small cooperatives the new regulation represents a greater tax burden, that is, less remains for the business proprietor. In high wage-ratio services, the withholding share may be one-third less than before. According to our calculations, about 40 forints may be paid for 100 forints' worth of material-free sales. If we see, on the other hand, that the new regulation--in addition to the above-mentioned tax charge--does not set limits to the growth of personal incomes, it becomes evident that under the new conditions it is possible to increase trade and thus personal incomes in certain areas relatively fast with intensive work and better satisfaction of the consumers' requirements. It is, of course, difficult to measure beforehand the extent of this increase.

It can also be seen that the businessmen are frequently frightened away by such difficult procedures preceding a small business like this. Many papers have to be filled out, and special knowledge is needed for entering the formalities. All this is very tedious, and both the new entrants and the departees must repeat the whole procedure.

Certain initiatives are also evident by the socialist economic organs, enterprises and cooperatives. These are primarily directed at creating within the enterprises various kinds of small organizations for the purpose of expanding their own activity--and increasing the workers' income. Among these, however, there are relatively very few organizations that work outside the enterprises and extend services to the population.

The Large Organizations Are Waiting

Only a few careful, initial motions are perceptible at enterprises and cooperatives that offer services. Among these, too, there are a fair number, particularly in the wage-intensive activities--where they have calculated it is more advantageous to operate under the existing conditions rather than choose the small coop form--primarily because of the high tax charges.

It is our experience that there are relatively many subjective obstacles to "miniaturizing" socialist organization. This is understandable for what economic organization will initiate the reduction of its activities, the breaking down or elimination of the enterprise or cooperative? In the case of state enterprises, to be sure, the managing organs can order decentralization, but this process is difficult to start, and the opposition is understandably great.

The enterprises and cooperatives seek to show that the existing management form is the most successful, and it is to be feared that under a decentralized form they will be able to meet demands to a lesser degree. (What is weak about this argument is that, on the other hand, they frequently apply for support because of large costs, while their mention of competition from small industry shows that the activity can also be conducted economically.) The managing organs--in case of service enterprises the councils--should show that this solution is more efficient, which is difficult to do, of course, without experiences to point to. At the same time it should be pointed out that decentralization causes additional work for the councils given the present management methods. Therefore, it is necessary to seek also in this area for less "direct" or indirect management methods.

It would help to increase the number of small socialist organizations more appropriate to the nature of service activity if the workers and members of the larger service enterprises and cooperatives would initiate the establishment of small coops and specialized coop groups, and the expansion of the scope of business operation by contract.

For the time being, however, people will accept a more comfortable and secure situation with a larger unit.

More Assistance

We still have little experience with the effect of the new regulation system. However, we can state this much that it weighs particularly heavily on the wage-intensive service lines. Therefore, it would be worthwhile to consider whether it would not be correct at the time of their formation to support the small organizations with various methods, initial tax rebates, for example. This solution is already used in small industry, and therefore it would only be a matter of creating the same conditions. The lost tax receipts would be only an apparent loss to the central budget, for the budget would be surrendering a revenue which might not even exist in the case of a high tax charge.

On the basis of a half-year experience we cannot as yet comprehensively evaluate a significant new initiative like this, but it already seems that the new organizational forms offer promising possibilities. But there is a need for more central assistance, at least in the form that the necessary positions in open questions see the light of day as soon as possible and the administrative difficulties represent the least possible obstruction. Finally, it would be important that the background institutions which are indispensable for the economic operation of small businesses--for example, those promoting material supply--should be established and put into operation as soon as possible. It will also be necessary that under the new conditions we should investigate and modernize the solutions that protect the interests of the customers.

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ORGANIZATIONAL, ECONOMIC REFORMS INSTITUTED IN AGRICULTURE

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 10, 14 Jun 82
pp 35-39

[Article by Edward Karwowski: "The Implementation of Economic Reform in the Ministry of Agriculture and Food Economy"; passages in slantlines printed in boldface]

[Text] / The economic reform in the Ministry of Agriculture and Food Economy was initiated with the decision on merging the Ministry of Agriculture and the Ministry of Food Industry and Procurement into a single ministry effective 1 July 1981. Due to this, agriculture, technical services and agricultural construction were integrated with the entire apparatus of procurement as well as with the manufacturing and processing branches of the food economy. The newly established Ministry of Agriculture and Food Economy was given the status of both a sector-subsector type ministry and a functional ministry. At the same time, a new organizational structure of the new ministry in the transitional period emerged, with an almost 40 percent reduction in employment compared to the two former ministerial organizations. /

After the merger of the two ministries into one apparatus, intensive work on new organization of activities was started, in conformity with the prime minister's ordinance No 36 of 28 August 1981 on preparations for economic reform in economic reform in economic units and organs of state administration. A ministerial Working Group on Economic Reform was set up. In its initial period of activity, this group drew up a concept of the organizational structure of the ministry with plans for liquidating associations. This new organizational structure of the ministry was adopted in early October 1981, after consultations with the economic and self-governing aktiv.

The adoption of the law on state enterprises and the law on workers' self-government by the parliament was the first step in the work on the [economic] reform within enterprises. In the fourth quarter of 1981, workers' self-government bodies were formed. However, this process was not completed in any branch.

Enterprises and self-governing bodies of work forces immediately embarked on preparing draft enterprise statutes. Employee councils were elected, founding agreements of voluntary enterprise associations were prepared. At the same

time, trade union activities and the complex socioeconomic and political situation in the country caused the implementation of a large number of reform concepts to remain in the draft stage as late as 12 December 1981.

The situation under the conditions of martial law was clarified by the provisions of Council of Ministers Resolution No 278 of 30 December 1981 on the functioning of the economy under martial law, which upheld the validity of the provisions of the Council of Ministers Resolution No 242 of 30 December 1981 regarding the liquidation of associations.

Organizational Changes in the Ministry

In accordance with government decrees, all associations, central boards and centers of the Ministry of Agriculture and Food Economy were declared liquidated, except the Center of the Meat Packing Industry, the Association of Potato Processing, the Sugar Industry Association, the Agricultural and Garden Seeds Association. In three cases, their liquidation was scheduled for 30 June 1982, and in the case of the Sugar Industry Association--for 31 March 1982. On the basis of the Council of Ministers Resolution No 278 of 30 December 1981, two plenipotentiaries for operational programs and 21 plenipotentiaries for supervision and coordination of operations and enterprises in individual branches were nominated.

Plenipotentiaries are supported in their activities by the apparatus of associations or departments. Intensive consultations have been carried out with directors of centers, boards, and associations and before 13 December--also with trade union aktiv of enterprises, on the modes of grouping and organizing individual enterprises in branches.

Consultations were resumed after the resolutions of the Council of Ministers Economic Committee of 12 March 1982 were published. These resolutions acknowledged the necessity for continuing the process of setting up voluntary associations and concluding agreements to that effect, in the name of enterprises by enterprise managers enjoying the rights of employee self-government while the latter is suspended.

Very positive phenomena in the process of setting up voluntary associations have resulted from the resolutions of the Council of Ministers Economic Committee. Structures of associations have been worked out, as well as codes for the activity of their [central] offices. Work on the founding documents of associations is in progress. In principle, the process of setting up voluntary associations is coming to an end. Court registration of associations is the slowest link. Despite this, several associations were registered as early as late March - early April, and embarked on statutory activities. After a positive response by the Parliamentary Commission of Agriculture and Food Industry, the Council of Ministers adopted on 10 May of this year resolutions on the obligatory establishment of 10 mandatory associations in our ministry. Intensive work is under way on setting up the associations.

/ The following are established as mandatory associations:

- Enterprises of the Meat-Packing Industry;
- Enterprises of the Grain and Milling Industry;
- Enterprises of the Sugar Industry;
- Enterprises of the Refrigerated Goods Industry;
- Enterprises of Industry and Veterinary-Zootechnical Supply;
- Animal Husbandry and Cattle Turnover Enterprises;
- Gardening, Garden Seeds and Nursery Enterprises;
- Plant Cultivation and Seed Enterprises;
- the Tobacco Industry;
- the Fodder and Waste-Recovery Enterprises BACUTIL. /

It can be expected that the target organizational structure of the Ministry of Agriculture and Food Economy will comprise between 26 and 30 branch associations at the national level (including 10 mandatory associations until 1985 with a view to implementing their separate functions and tasks) and about 85 voluntary associations at the district level (or, in part, voivodship level, for example, associations of state agricultural enterprises). District voluntary associations are being set up in branches such as agricultural construction, water and land reclamation, technical services and state agricultural enterprises and state farms. / The following will remain in the immediate jurisdiction of the minister of agriculture and food economy: /

/ Enterprise of Material-Technical Supply, Agricultural Research and Development Enterprise, Agricultural Construction Research and Development Center, Center of Water and Land Reclamation Technology, the Polmos Alcohol Industry Enterprise, the Opakomet Enterprise of Light Tin Containers, the Pest Control Enterprise. /

/ It is also envisaged that 14 units of the research and development infrastructure will remain in the immediate jurisdiction of the minister (research institutes, the Center for Cultivated Plants Research, the Central Station for Animal Husbandry and ministerial centers of the Organization and Standardization of Labor, and of Research and Development in Information Science, within the framework of the Institute of Economics, as well as the Central Agricultural Library, the Center for Cadre Improvement and Agricultural Progress and two state inspectorates (Technical Inspectorate of Agricultural, and Food Procurement and Processing) Central Inspectorate of Seeds and five district water management directorates. /

Decentralization of Management

In conjunction with the implementation of tasks ensuing from the Council of Ministers and the Council of State [joint] resolution of 28 November 1980 on the main avenues for broadening the jurisdiction of the local organs of authority and state administration:

/ The Ministry of Agriculture and Food Economy transferred 541 state agricultural enterprises to the governors' jurisdiction out of the 1,769 enterprises of the ministry employing 1,077,000 persons. These enterprises will probably set up 35 voluntary provincial associations (or interprovincial associations in central and eastern Poland). /

/ The ministry will gradually, until the end of this year at the latest, transfer to the jurisdiction of provincial economy 222 agricultural construction enterprises, 92 water and land-reclamation construction enterprises and 370 technical-service enterprises. The enterprises of these branches are in the process of organizing about 50 voluntary district associations. /

The minister of agriculture and food economy in his capacity as the founding authority of the above enterprises is gradually transmitting enterprise rosters to governors who will be the founding authority of the latter.

At the same time, work on refining new forms and modes of ministry activities in a reformed economy is well advanced. This work is concentrated on, among other things:

/ --specific scope of activity of the ministry in implementing the economic reform; /

/ --defining the forms and modes, as well as the scope of activity in the framework of particular management functions in agriculture and the food industry; /

/ -- adjusting the organizational structure of the ministry to the array of the responsibilities discharged by it; /

/ --means and mechanisms of influencing organizational units [plant and equipment]; /

/ --a system for evaluating the functioning of the ministry in the environment of economic reform. /

Implementation of New Economic-Financial Systems

The entire socialized agriculture and food-processing industry, as well as the technical services to agriculture, agricultural construction, water and land reclamation, agricultural producer cooperatives and cooperatives of agricultural circles have adopted new concepts of economic-financial systems within the framework of the economic reform.

--State agricultural enterprises and state farms became self-financing in accordance with Council of Ministers Resolution No 114 of 17 June 1981 by 1 July 1981, being the first in the country, along with small-scale industry.

--Agricultural producer cooperatives became self-financed on 1 January 1982 on the basis of Council of Ministers Resolution 208 of 12 October 1981.

--Economic units of agricultural circles became self-financed on 1 January 1982, on the basis of Council of Ministers Resolution No 214 of 14 October 1981 and Ordinance No 6 of the Minister of Finance of 28 January 1982 and CzKiOR [Central Union of Agricultural Circles and Organizations] Board Resolution No 32 of 3 March 1982.

--Enterprises of the food-processing and fodder industry, enterprises of agricultural construction, water and land reclamation and of some other branches became self-financed on 1 January 1982 on the basis of Council of Minister Resolution No 243 of 30 November 1981.

--Enterprises of technical services to agriculture became self-financed on 1 January 1982 (90 percent of them on the basis of Council of Ministers Resolution No 112 of 8 June 1981 and the remainder on the basis of Council of Ministers Resolution No 243 of 30 November 1981).

--Enterprises of contractation and procurement and of processing and turnover in seeds and nursery materials became self-financed on 1 July 1981, on the basis of Ordinance No 41 of the Minister of Agriculture and Food Economy of 26 October 1981.

--Enterprises of turnover in cattle became self-financed on 1 July 1981 on the basis of Ordinance No 42 of the Minister of Agriculture and Food Economy of 26 October 1981.

Draft implementation regulations for the law on financial conduct of state enterprises are being prepared in conjunction with the law of 26 February 1982 on financial conduct of state enterprises, passed by the parliament, and other related legislation announced in DZIENNIK USTAW 1982 No 7, and also in conjunction with the legal recommendation on adapting the heretofore different concepts of various economic-financial systems in effect in various branches. This legislation adapts the economic-financial systems which have been effective so far to the comprehensive concepts of the system as formulated by the law. At the same time, this legislation should take into account the peculiarities and environment of agricultural food-processing and fodder enterprises, of technical infrastructure, agricultural construction and other units such as RSP [Agricultural Producer Cooperatives], SKR [Agricultural Circles' Cooperatives] etc.

It would seem that preferential systemic solutions taking into account the peculiarities of agriculture would provide a fairly equal start for enterprises in the reformed economy. This, however, is not the case. Besides matters ultimately settled and resolved, there is an array of factors which impact negatively on the functioning of systemic solutions in the reformed enterprise economy. Specifically, considerably different climatic and soil conditions and resultant length of vegetation period (for example, in Zielona Gora, Opole and Suwalki voivodships) as well as soil quality grade and situation (in mountainous or flat areas) are such factors in state agricultural enterprises and state farms.

Inadequate or considerably different levels of production assets and of agricultural equipment which cause incomplete utilization of production capacity of enterprises and increases in specific costs of their operation, also influence the introduction of new solutions. Shortages of some machines and implements, of mineral fertilizers and pesticides, and recently of concentrated fodder due to import restrictions on grains are especially painful. Shortages of raw materials for concentrated fodder production, are causing a decline in slaughter animals and milk production. In the longer run, it can even lead to an increase in cattle diseases and a decline in agricultural production.

High costs of fixed-assets amortization, for example, buildings of large industrial-type farms which cannot be fully utilized on the eve of the reform, and the lack of a full set of cattle due to the shortage of concentrated fodder are

also delaying the introduction of new economic-financial systems. Varied levels of employment in relation to needs, level of social and living conditions and professional skills of work forces are a factor too.

Cancellation of subsidies for plant cultivation and animal husbandry in all enterprises, despite a tremendous differentiation of conditions at the outset of the self-financing system and different initial levels of particular agricultural sectors, also requires much thought.

The implementation of reform in agricultural producer cooperatives is being hampered by the lack of implementation provisions for Council of Ministers Resolution No 208 of 12 October 1981. This impedes the introduction of the new economic-financial system. Also, the situation with supplies to cooperatives of the necessary means of production is unclear, compensation payments for families of cooperative members are lacking. The problem of upbringing bonuses for women rearing small children has not been solved either.

In economic units of agricultural circles, the following factors hamper the introduction of economic reform:

/ --delays in publishing standard regulatory acts regarding writing off investment credits and suspension of repayment of turnover credit, as well as transitional financing of losses; /

/ --the still unresolved issue of covering losses in the amount of 13.4 billion zlotys incurred in 1977 through 1981 and the unsettled problem of writing off credits for cattle-farm construction amounting to 3 billion zlotys. These issues can cause insolvency for a considerable number of cooperatives. /

Failure to solve problems of a financial nature in SKRs causes tremendous payments difficulties and influences to a considerable degree the increase in current production costs. Despite satisfactory solutions in the economic-financial system, this failure also delays stabilization and subsequent development of production and service operations of these units.

Restrictions on production caused by shortages of raw and other materials to enterprises are such a factor in industrial enterprises and, in part, in agricultural construction and land reclamation. Due to this, production capacity will not be fully utilized in 64 enterprises, with a mere 50 percent utilization in as many as 40 enterprises. It is expected that potential production capacity of 10 enterprises will be utilized only 30 percent, as, for example, in the poultry industry where broiler slaughter lines will be stopped in the second quarter due to the lack of fodder.

The brewing industry will most probably reduce its production to 50 percent due to the shortage of barley and coca-cola concentrate. This will also be the case in the fodder industry due to the restricted imports of grains and other ingredients of concentrated fodder. The fruit and vegetable industry will restrict its production due to insufficient quantities of containers needed to manufacture canned goods and bottle imported wines. The lack of oleiferous seeds will cause the stoppage of oil production throughout the second quarter of 1982.

There also is a problem presented by the considerable differentiation in operating costs among enterprises within a given branch. For example, the following cost differentials were registered in some enterprises of the food industry.

/ --in the sugar industry enterprises, the cost of producing 1 ton of sugar amounts to: /

/ --the lowest, 17,560 zlotys; /

/ --the highest, 44,500 zlotys; /

/ --in the vegetable oil industry enterprises, the cost of producing 1 ton of vegetable oil amounts to: /

/ --the lowest, 28,570 zlotys; /

/ --the highest, 32,560 zlotys. /

In both industries, certain factors occur which cause such appreciable differentiation regardless of the diligence and efficiency of operation. Specifically, the following factors are important: varying quality of raw materials (content of the active ingredient) which is not reflected in procurement prices of sugar beets, potatoes, rape as well as differing levels of equipment and ensuing brackets of amortization which are a burden on the costs of operation. Investment projects completed over the last 10 years place a double burden on the costs of operation with high amortization costs and interest on investment credits during repayment period which often exceed principal installments proper. The difference in the costs of transportation and distribution is also appreciable. It results from state control of supplies often allocated for very remote regions.

Frequently, official prices of finished goods are set at a level well below the cost of production, for example, in the meat-packing, milling and grain, poultry, fodder, vegetable oil and sugar industries. Therefore, subsidies from the [state] budget are required to support costs of operation in these industries. Due to this, the enterprise has only a limited influence on the profit, which, in turn, restricts the influence of the mechanisms of reform on economic efficiency.

Official prices of raw and other materials for the meat-packing, milling and grain, fodder, vegetable oil, alcohol and tobacco industry considerably restrict the opportunity to work out profit independently and improve economic efficiency. The impact of the incentive system is also impaired in this way.

High progressive income tax and other taxes, levies and other fees on profit, and also fixing the rate of profitability as the ratio of profit to the cost of processing (rather than the cost of production, as before) prevent the enterprises from setting off adequate development funds from profits. The development fund created from amortization writeoffs is also considerably restricted due to the transfer of an appreciable share of these writeoffs to the [state] budget by all enterprises operating in the economic-financial system established by Council of Ministers Resolution No 243. This resolution applies in the entire food-processing industry, in the fodder industry, agricultural construction and some other enterprises.

Probably the enterprises will be reluctant to obtain otherwise available investment credits due to the expected difficulties with repayment from the future small income of the development fund, and due to the high interest on credit which will place a burden on operating costs during the recoupment period. Interest payments in the first years of repayment will exceed principal installments.

The Influence of External Conditions on Enterprise Operations

The level and structure of supply of production assets is the basic external factor influencing the proper action of systemic reform mechanisms. The implementation of economic reform in the Ministry of Agriculture and Food Economy is proceeding in an environment of acute shortages of raw and other materials. Under these circumstances, the actions of the enterprises and the ministry are aimed at adjusting the mechanism of reform to the actual conditions in which enterprises operate.

It became necessary to limit production in some enterprises of the food-processing industry due to short supplies of basic raw materials. According to estimates, production will be limited in 64 enterprise, especially in the poultry, fodder, brewing, fruit and vegetable, oil and tin-container industries.

Smooth operation of production and investment service units, of underwriting banks and local administration is a significant external factor of enterprise functioning. The operation of these units under new conditions has not yet been fully studied.

/ However, so far no essential changes have occurred in the activity of local administration related to agriculture. Local organs of administration are still burdening the enterprises with additional paperwork, demanding free services or, in the case of provincial offices, considerably limiting the freedom of decision of enterprises by interference, often unwarranted, in matters of level and structure of production at the planning and sales stage. /

Direction of Changes in Enterprise Production

The introduction of new economic-financial systems and freedom in setting production plans associated with it took place in July 1981 in state agricultural enterprises and state farms and in other branches in January of this year. It caused an increasing adjustment of production plans to the opportunities of enterprises.

/ In PGR [state farms], where the reform was introduced half a year earlier than elsewhere, the following effects were registered: /
/ --adjustment of crop mixes to the soil and climatic conditions; /
/ --an increase in the share of grains in crop mixes; /
/ --restriction of cultivation of fodder crops (especially, corn for silage); /
/ --restriction of young feeder-cattle breeding and hog breeding on industrial-type farms; /
/ --adjustment of the size of herds in particular enterprises to their own fodder resources and ensuing reductions of hog breeding and of milk production on industrial-type farms. /

In general, crop production became more profitable in PGRs than animal husbandry. In order to improve profitability of animal husbandry and overall operations, an appreciable number of PGRs intend to introduce breeding of young cattle for their own farms, breeding of small farm animals, seed production, greenhouses and food processing. Maintaining coproduction links with private farms is considered unfeasible due to low profitability.

Progress of changes in production patterns in PGRs is still not satisfactory due to frequent changes in prices of the means of production and of agricultural products and also due to some solutions of the economic-financial system of PPGR, [State Farm Enterprise] and PGR which have not yet been ultimately settled.

In sectors of agriculture other than RSPs where the situation is similar to that of PGRs we are having to do with unused production capacity rather than with changes in production patterns. Failure to fully utilize production capacities is due to the commonly known difficulties with supplies of raw and other materials and procurement of construction services.

Despite these difficulties, it can be stated that the general change of production patterns is in keeping with the current goals of economic policy, because they lead to rational utilization of the potential of particular enterprises.

Utilization of the Means of Production and Land

The process of improving economic efficiency in the environment of economic reform must be accompanied by a more complete utilization of the factors of production than before. This primarily applies to labor and fixed assets.

Labor is not fully utilized due to temporary shortages of raw materials and spare parts, and due to the weak impact of the incentive system. Lack of confidence in the future of some enterprises does not encourage good work, either.

Labor must be increasingly better utilized along with standardization of prices, enterprise profit formation, the improvement of the wage system and organizational stabilization of enterprises.

A perceptible improvement in land-use intensification has occurred in agricultural enterprises. An increase in yields and a more intensive crop mix (larger shares of sugar and beets and rape in the crop mix), soil improvement (land reclamation and use) should be viewed as indicators of this improvement.

At the same time, a phenomenon has been observed whereby enterprises dispose of land with a low soil-quality grade or of lots situated further away from the economic center. The costs of farming such land are high, whereas production and financial returns are low. Therefore, autonomous and self-financing enterprises are undertaking measures to get rid of these areas. In all such cases, the land is transferred to the State Land Fund.

However, in many enterprises the degree of fixed-assets utilization has deteriorated. This applies primarily to livestock buildings in PGRs. The reasons for this state of affairs are found in unprofitable breeding (calves past the vealer stage) and the lack of manufactured concentrated fodder, hampering hog and poultry breeding and milk production.

Shifts in the structure of production brought about a limited utilization of some specialized machinery, equipment and transportation vehicles. Fodder mixing and drying installations have also been used to a limited degree. Surpluses of production assets are accompanied by simultaneous shortages of equipment in some enterprises, especially with regard to large capacity tractors, root crop and silage harvesters, sowing, cultivation and plant-protection equipment, garages, warehouses, and residential buildings.

Operation of the Incentive System

The incentive system of enterprises under the introduced economic reform is based on profits attained or on the improvement of financial returns of enterprises operating in the red. The adopted mechanisms must promote a stronger interest of employees in economic efficiency and a more equitable remuneration of labor.

The incentive system is called upon to fulfill multifaceted goals: it must effect a shift to more profitable production patterns, to rational employment levels and a rise in labor productivity.

Along with the process of adaptation to the changed economic situation in the country, the incentive system in agriculture has been a strong influence on shifts in structure and patterns of production in particular enterprises. Due to this, the share of grains and sugar beets in the crop mixture has increased at the expense of feeder crops. Cattle and hog breeding in industrial-type farms has been reduced due to low profitability. The size of herds has been limited to the fodder resources of enterprises. However, so far these actions have been promoted by enterprise management with little work force involvement.

Production of grains, rape, milk, sugar beets and hog breeding will be given preference in agricultural production under the prices and incentive systems currently in effect.

A look at labor-force utilization reveals a lack of substantial changes in the total strength of the work force. This is not to say that the structure of employment has not changed, since in some enterprises, the number of employees in administration and service units has been reduced primarily by transferring some labor to production units.

At the same time, no perceptible changes have occurred in specific labor productivity. Moreover, a decrease in productivity can be observed due to work stoppages caused by shortages of raw materials, spare parts, etc. The registered improvement in labor discipline is attributable to the situation under martial law rather than better motivation.

Increased autonomy of enterprises brought about a growth of initiative among management cadres. However, incentives for better work by blue-collar employees are still lacking. With regard to this group, the system of remuneration is seen as a basic drawback, because the share of funds not immediately linked to quantity and quality of labor is too high in employee wages.

As far as the bonus fund goes, the time lapse between doing a job and obtaining bonuses for its quantity and quality is seen as too long. The differential in wages between management personnel and executives is viewed negatively, because low remuneration of the former accompanied by considerable responsibilities reduces their interest in the job.

Changes in Organization and Enterprise Management

The economic reforms provided opportunities for changes in both enterprise organization and system of management. In agriculture, freedom in shaping organizational structures primarily brought about a dissolution of some large production units such as agricultural combines. The combines set up after 1975 in many cases were organized artificially in order to increase so-called [institutional] clout. They increased only the organizational indisposition of the sector, while not bringing any evident benefits to basic production units.

On top of changes at intermediate management levels (liquidation of associations and most combine directorates), changes within enterprises have also taken place. The number of divisions within the framework of existing enterprises has increased considerably. A segment of divisions began operation as separate enterprises in 1981. Another segment has adjusted its scope of operations to local conditions. This process has not yet been completed. It is expected that enterprises can be split further and repair shop and social services divisions can be liquidated.

Increased autonomy of basic production units causes a trend toward dissolution of some construction and production service units and the taking over of their activities by divisions. Similarly, in production units of industry a strong tendency can be ascertained to split enterprises into autonomous divisions, especially in the sugar, fruit and vegetable and the container industries. However, due to the supply situation and state control, the ministry has tried to counteract this tendency to a degree. As a result, eight new enterprises have been set up by separating them out of existing multidivision enterprises.

The level of decisionmaking shifted when, in accordance with reform concepts, the directive-type management system was abandoned. This changed the responsibilities and functions of enterprise management. In the present situation, enterprise management discharges coordination functions in current and long-range planning; it organizes investment and supervision activities. Supply of the means of production and repair activities are organized at the enterprise level.

The concepts of the economic-financial system in agriculture and the food economy must not only render assistance to enterprises in overcoming short-term difficulties, but also bring tangible effects in the growth of agricultural production for the market in a continuous and stable way. All further actions of the Ministry of Agriculture and Food Economy will be directed toward the goal.

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[Text] Chapter 1: General Regulations

Article 1

The economy of the Polish People's Republic is a planned economy based on a socialist economic system. The functioning and development of the economy are regulated by the system defined in this law for socioeconomic plans actively structuring economic development using the market mechanism.

Article 2

1. The socioeconomic plan represents an instrument for increasing the material and cultural level and quality of the population's life, the proportioned development of the economy, for increasing the social effectiveness of management, and for expanding and bolstering the economic foundations of the socialist system.
2. Socioeconomic plans are prepared with consideration given to the experience and contributions of science and culture.

Article 3

The social nature of planning is expressed in the active participation of representative bodies at all levels and of social organizations in the drafting of the plans and in supervising their implementation, particularly in the realm of shaping the population's living and health conditions, the protection of the natural environment, and the development of culture and education. The principles and methods of preparing the plans create conditions for participation in planning by the party and political parties, trade unions, social organizations, the scientific and creative communities, and also public opinion.

Chapter 2: Basic Types of Plans

Article 4

These are the basic types of plans:

- 1) Central plans
- 2) Regional plans (voivodship, city, and gmina [parish] plans)
- 3) Plans of enterprises and other units of the socialized economy
- 4) Plans of budget-financed units and other state organizational units

Article 5

The central and regional plans charge the state administrative bodies with the obligation of using the means granted them by law to have an impact on the enterprises and other economic units, in order to provide for the implementation of the tasks specified in these plans.

Article 6

The actions of the economic units are made to coincide in terms of direction with specific goals as specified in the central and regional plans in these ways:

- 1) Contracts which bodies of the state administration or their designated organizational units make with units of the socialized economy and contracts made between enterprises and other economic organizations,
- 2) Application of economic instruments by bodies of the state administration and by banks, on the basis of legal authorization,
- 3) Mutual exchange of information in the course of drawing up plans,
- 4) The possibility of charging state enterprises with the obligation to carrying out tasks in keeping with the regulations of the law on state enterprises.

Chapter 3: Central Planning

Article 7

The central plans define the state's socioeconomic policy, that is, the goals, ratios, and means of development of the economy, the basic social and economic tasks, and the means of carrying them out.

Article 8

The central plans are drawn up to cover the following periods:

- 1) a decade or longer (long-range plans),
- 2) five-year plans (national socioeconomic plans),
- 3) plans for a single year (annual central plans).

Article 9

1. Long-range plans are step-wise in nature, that is, the period for which the plan is prepared is extended every 5 years to include the next five-year period.

2. The long-range plans define:

1) projected structuring of social and economic needs and the possibilities for meeting them,

2) major directions and ratios of development of the national economy as needed to maintain the continuity of the development processes in plans with a shorter time-frame and to continue economic undertakings which extend beyond the period of the intermediate-range plan,

3) major directions for international specialization and adaptation of the economy to anticipated changes in external conditions.

3. The following issues in particular are taken into consideration in the long-range plan:

- 1) satisfaction of the society's material and cultural needs,
- 2) protection of the natural environment,
- 3) power-raw materials management,
- 4) development of the social and technical infrastructure of the country,
- 5) trends in the realm of foreign trade and foreign cooperation, with particular attention to the development of socialist integration,
- 6) development of science and technology, as well as progress in the realm of the quality of goods and services,
- 7) regional development of the country,
- 8) provision for the defense and security of the state.

4. Long-range plans are drawn up in relation to the whole national economy, and also with regional breakdowns.

Article 10

1. The national socioeconomic plans are the basis for directing the development of the national economy. There are precise determinations of the targets of the long-range plan and an expansion of the problematics of the planning included in the national socioeconomic plan.

2. These aspects are differentiated in the national socioeconomic plan:

- 1) basic conditions for economic development and targets of social policy as they apply to the nation as a whole,

- 2) points of the plan,
- 3) means of implementing socioeconomic policy,
- 4) information for local bodies, enterprises, and other units of the national economy.

3. In the part discussed in Paragraph 2, Point 1, the national socioeconomic plan encompasses the following:

- 1) Forecast of the generation and distribution of national income and the rate of development and extent of satisfaction of social needs,
- 2) Basic directions and ratios of socioeconomic development and targets pertaining to the directions of the economy's structural transformations, particularly in terms of region and of branches and subsectors, foreign economic cooperation and technical progress, and, in particular, economic cooperation with the Council of Mutual Economic Assistance [CEMA],
- 3) Targets of the policy for the development of education, science, culture, public health, and the meeting of other nonmaterial needs,
- 4) Targets of the policy for the development of consumption, with particular attention to the ratios between private consumption and collective consumption,
- 5) Targets of the policy for employment, income, and wages, as well as social services,
- 6) Targets of the policy of protection and development of the natural environment,
- 7) Targets of the programs for implementing goals in the various areas of socioeconomic policy as the basis for undertaking the points of the plan (Paragraph 2, Point 2) and setting other means of implementation in motion (Paragraph 2, Point 3),
- 8) Changes in the branch-subsector structure of supply and demand,
- 9) Balance-sheets for basic products,
- 10) Targets of investment policy,
- 11) Targets of pricing policy,
- 12) Financing methods for undertakings contained in the plan.

4. In the part discussed in Paragraph 2, Point 2, the national socioeconomic plan encompasses the following:

- 1) investment undertakings with longer implementation cycles, and in particular, the major energy-raw materials investments, transportation investments, and investments in the realm of social consumption and environmental protection, and other investments of strategic importance to the national economy,
- 2) scientific research programs and research and development projects,
- 3) tasks implied by international agreements and coordination agreements under the auspices of the Council for Mutual Economic Assistance,
- 4) definition of financial resources for carrying out social programs and multiyear projects,
- 5) tasks related to the defense and security of the state.

5. In the part discussed in Paragraph 2, Point 3, the national socioeconomic plan encompasses the following:

- 1) the principles of operation and economic instruments which help to insure economic balance and the coordination of the plan,
- 2) other economic instruments discussed in Article 6.

6. In the part discussed in Paragraph 2, Point 4, the national socioeconomic plan encompasses information and forecasts relating to the following:

- 1) structuring of the supply of fuel and power, and the supply of raw and other materials to the economy,
- 2) changes in the conditions of supply and demand and the prices on foreign markets,
- 3) targets of price changes on the domestic market,
- 4) major changes in the realm of technology,
- 5) the situation in the realm of employment with a breakdown by region and vocation-subsector,
- 6) other issues which need to be addressed in the planning process,
- 7) probable threats to the implementation of the plan and possible directions to combat them.

7. The action of the nonsocialized economy, especially private farming and crafts, is presented in the plans only in terms of estimates.

Article 11

1. The annual central plan contains precise determinations of the targets resulting from the national socioeconomic plan in the light of a more exact knowledge of economic conditions. It contains a specification of the basic ratios for the annual period and its social policy measures serving the attainment of long-range and ongoing social goals.

2. No change in the goals or directions of socioeconomic policy as specified in the national socioeconomic plan can be made through the annual central plan. This can only be accomplished by changing the national socioeconomic plan.

Article 12.

1. The financial plans are an integral part of the planning system.

2. Financial plans like the state financial balance, the state budget, the credit plan, the balance-sheet of the population's cash income and expenditures, and the balance of payments are mutually tied in with the national socioeconomic plans and the annual central plans, in order to insure realism in planning, through the adaptation of actual plan tasks to the state's financial capabilities.

3. The central financial plans help insure internal monetary balance and the balance of payments of the country, financial monitoring, and the coordination of actual economic processes, along with the shaping of monetary-credit policy consistent with financial capabilities and planning directions, and also the ratios of economic development.

4. The central financial plans are described by the regulations of separate laws.

Chapter 4: Regional Planning in the Voivodships, Towns, and Parishes

Article 13

The regional plans at the voivodship level and basic level define the purposes, directions, and tasks of local socioeconomic development, and in particular the satisfaction of the population's needs.

1. Voivodship level regional plans are drafted in terms of the following periods:

- 1) Five-year periods (for voivodship socioeconomic plans),
- 2) Annual periods (for annual voivodship plans).

2. The voivodship plan specifies management conditions and social and economic tasks of general voivodship significance, including employment policy and the use of local resources, along with the means for carrying out the plan.

3. In addition, the voivodship plan specifies

- 1) the directions for development of enterprise activity, for those enterprises for which the founding body is the local body of the state administration at the voivodship level,
- 2) the conditions for locating investments and tasks in the realm of environmental protection, in relation to all enterprises and units operating in the voivodship,
- 3) directions of cooperation with enterprises located in the voivodship in matters relating to changes in employment, joint investment ventures, production services and nonproduction services rendered on behalf of enterprises and enterprises' services rendered on behalf of the voivodship.

4. The steering of the development of the voivodship is based on the voivodship socioeconomic plans.

5. The voivodship people's council ratifies the voivodship socioeconomic plan and defines independently the directions and targets for voivodship development, while taking into account the targets of state socioeconomic policy as expressed in the central plans and the targets of the plans of basic-level units in the realm of the jurisdiction assigned them and in keeping with their resources. The scope and content of the voivodship socioeconomic plan are determined by the voivodship people's council to fit the needs of the region.

6. The voivodship budgets, which are approved by the voivodship people's council, are the basis of the voivodship's financial management.

7. The voivodship people's council may make a decision to prepare a ten-year long-range plan covering the problematics of the voivodship's social, economic, and regional development or other plans not mentioned in Paragraph 1.

Article 15

1. Regional plans at the basic level are drawn up for the following periods:

- 1) Five-year periods (town (parish [gmina]) socioeconomic plans),
- 2) Annual (town (parish [gmina] annual plans) periods.

2. The town people's council may also approve a ten-year long-range plan.

3. Town and parish [gmina] plans independently approved by the town and parish people's councils include the following, in particular:

- 1) organizational and economic ventures favoring the activation or up-graded effectiveness of agriculture, food processing, small-scale industry, crafts and trades, commerce and services,
 - 2) provisions concerning the development of the social infrastructure,
 - 3) directions of development of the activity of enterprises for which the body of the state administration at the basic level is the founding body,
 - 4) production and service tasks of the town or parish units of the municipal economy;
 - 5) provisions concerning the location of investments and tasks in the realm of protection of the natural environment on matters falling under the jurisdiction of the town and parish people's councils.
4. The budgets of the towns and parishes as ratified by the town and parish people's councils are the basis of the financial economy of the towns and parishes.
5. The town and parish plans discussed in Paragraph 1 are related to the financial plans taking into account both direct income and subsidies or shares of the voivodship budget income. The town and parish plans are directed mainly to meeting the local needs of the population. These plans take into account the guidelines of the voivodship socioeconomic plan and the voivodship annual plan within the realm discussed in Article 14, Paragraphs 2 and 3.

Article 16

The voivodship, town, and parish plans should take into consideration the joint ventures undertaken by two or more administrative units and units of the socialized economy.

Chapter 5: Planning in the Enterprises and Other Units of the Socialized Economy

Article 17

1. Enterprises and other units of the socialized economy draw up plans independently in keeping with their own needs, appropriately taking into account the principles specified in the law on state enterprises or in the law on cooperatives and their unions. These units draw up annual plans and development forecasts or plans. The scope and level of detail of these plans or forecasts they determine independently, giving consideration to the technical and economic conditions of their operation.

2. The Council of Ministers may require the preparation of five-year or long-range plans from units of the socialized economy of particular significance to:

- 1) supplying the economy with raw and other materials,
- 2) carrying out multiyear international agreements,
- 3) developing and protecting the natural environment.

Article 18

1. The plan of the unit of the socialized economy defines the directions of its activity and development on the basis of cost-effectiveness and full financial responsibility for the outcome of operations, consistent with the principles of self-financing.

2. In drawing up the plans, the units of the socialized economy are directed by the following, among other things:

- 1) the results of supply and demand research in the country and abroad,
- 2) agreements with suppliers and consumers, and with other units, or preliminary agreements in this area,
- 3) information stemming from the targets of the central and regional plans,
- 4) principles in effect and economic instruments defined in Article 6,
- 5) state standards specifying quality and operating requirements.

Article 19

Units of the socialized economy make the basic information contained in their plans available to top and local bodies of the state administration and to banks and financial control bodies upon their request.

Article 20

The regulations of the law concerning the enterprises also apply to enterprise associations in the realm in which their statutes provide for them to assume the planning functions necessary for them to carry out their tasks.

Chapter 6: Principles of Planning and the Manner of Social Consultation

Article 21

1. Socioeconomic planning is based upon:

- 1) an analysis of the condition and development of the economies of the enterprises, parishes, towns and cities, voivodships, and the national economy as a whole,
- 2) analysis of financial capabilities,

- 3) forecasts of external conditions of development,
- 4) analysis of the social needs and the possibilities of meeting them,
- 5) knowledge concerning the anticipated directions of the development of the national economy, the voivodships, the towns and cities, and the parishes, enterprises of the socialized economy, and the directions of the development of the nonsocialized economy.

2. In order that there be fuller awareness of the conditions and possibilities of development, the planning bodies, in cooperation with the scientific research institutions, conduct preplanning studies which compare, using internally cohesive variants, the social goals and the available means for accomplishing them, and then they select the draft of the most effective variant.

3. The organs planning the development of services and social benefits conduct work consisting of the following:

- 1) familiarizing themselves with the individual and collective needs of the society, giving consideration to the differences between them in terms of structure, type, organizational unit [plant and equipment], and region, and, to this end, using standards of measurement and indices of the extent to which needs are met, including the sizes of their desired minimum. These sizes should be discussed with the trade unions,
- 2) defining the possibilities for meeting social needs within the limits of the available financial resources, to this end, using analyses and calculations of alternative costs of supply of the goods and services to help meet various sorts of needs.

4. The drafts of variant solutions concerning basic issues are put to the public for discussion. The planning bodies are also obliged to inform political and social organizations, trade unions, and interested scientific and artistic groups about the directions of the solutions proposed in the plans.

Article 22

1. Long-range planning comes after studies on the major problems of social and economic life and the programs for resolving these problems over longer periods of time, as well as long-range forecasts of external conditions to which the country's economy is going to have to adjust. In the course of this work an effort is made to learn the views of the scientific communities and the scientific-technical and socioprofessional associations.

2. Sejm commissions are consulted on variant drafts of the long-range central plan, and the appropriate trade union bodies are also involved in the part concerning the working and living conditions of the population.

3. The press and other mass media should present the basic problems and the proposed directions for resolving them. The planning body is required to present the Sejm and the society the results of social consultation conducted on the long-range central plan and the ways in which comments have been taken into account.

Article 23

1. There are two stages to the drafting of the national socioeconomic plan, that is:

- 1) variant concepts of the national socioeconomic plan,
- 2) the draft of the national socioeconomic plan.

2. The variant concepts of the national socioeconomic plan should be based on the provisions of the long-range plan, a diagnosis of the condition of the economy and the conditions underlying it, and also on the projected development of socioeconomic processes and anticipated changes in external conditions. These variants should present the targets concerning the basic social goals and the ways they are to be achieved under various circumstances.

3. Variant concepts of the national socioeconomic plan should be the subject of the consultation discussed in the principles defined in Article 22, Paragraphs 2 and 3.

4. The Sejm selects the variant of the national socioeconomic plan.

5. The following should be given particular attention in the work on the draft of the national socioeconomic plan:

- 1) the Sejm's opinions and recommendations concerning the variant of the national socioeconomic plan, as discussed in Paragraph 4,
- 2) the results of the work done as described in Paragraph 2,
- 3) information about the targets of the multiyear plans of the voivodships and certain enterprises,
- 4) the results of social consultation,
- 5) coordination agreements concerning the plans of the CEMA member countries and other international agreements,
- 6) information concerning major initial contractual agreements among enterprises.

6. The national socioeconomic plan should be worked out in such a way and timeframe for the Sejm to be able to ratify the plan before the onset of the period of its implementation.

Article 24

1. The preparation of the annual central plan includes:

- 1) preparation of variant targets of the annual central plan,
- 2) preparation of the draft of the annual central plan.

2. The targets of the annual central plan should take into account the provisions of the national socioeconomic plan for the given year, an assessment of the condition of the national economy and the conditions underlying it, anticipated results of the current year, and projected external conditions during the plan year. On the basis of these assumptions the variant proposals concerning the methods for best accomplishing the goals designated in the national socioeconomic plan should be presented.

3. The targets of the annual central plan are the informational basis for work on drawing up the annual plans for the voivodships, cities and towns, parishes, and enterprises and for conducting consultations and entering into preliminary economic agreements. The draft annual central plan is the subject of consultation with appropriate trade union bodies, insofar as the part related to the policy of pay, prices, and living conditions of the population and working conditions is concerned.

4. The draft annual central plan is based on socioeconomic forecasts and analyses, with consideration given to the requirements of Sejm commissions and suggestions made in social discussions.

Article 25

The necessary reserves of production factors to carry out key socioeconomic tasks under economic conditions more difficult than anticipated should be maintained in the national socioeconomic plan and the annual central plan.

Chapter 7: Jurisdiction in the Realm of Planning

Article 26

The Sejm does the following:

- 1) defines the problems which need to be worked out in the long-range plans,
- 2) reviews the long-range plan drafts and the concepts of long-range governmental policy in the areas of strategic significance for the national economy,
- 3) reviews the targets and means of implementation of the national socioeconomic plan, and on this basis selects a variant of the targets of that plan,

- 4) ratifies the national socioeconomic plan, establishing the maximum level of expenditures for central investments and the ratios defining permissible foreign debt,
- 5) reviews the targets for the annual central plan as developed in keeping with Article 24, Paragraph 2,
- 6) ratifies: the state budget, the credit plan, and balance of payments, and receives the report on the execution of the state budget,
- 7) at annual intervals, evaluates the course of fulfillment of the national socioeconomic plan as well as the way the balance of payments and credit plan are being implemented,
- 8) reviews reports on the implementation of the national socioeconomic plan.

Article 27

1. The Council of Ministers presents to the Sejm:
 - 1) long-range plan drafts,
 - 2) variant targets and assumptions for drawing up the national socioeconomic plan, the draft of that plan, the targets of the annual central plan, and drafts of: the state budget, the state financial balance-sheet, and the balance of payments,
 - 3) annual reports on the way the national socioeconomic plan implementation is going,
 - 4) ratified annual central plans, together with the draft budget.
2. The Council of Ministers does the following:
 - 1) ratifies the annual central plan,
 - 2) organizes the implementation of tasks established in the national socioeconomic plan and the annual central plan,
 - 3) assesses the course of implementation of the national socioeconomic plan and the annual central plan in various areas and the course of the economic processes in the enterprises of the socialized economy and in the nonsocialized economy, and makes the necessary decisions for the achievement of the plan goals.
3. The chairman of the Polish National Bank, after ratification by the Council of Ministers, presents the Sejm with the draft credit plan along with the balance-sheet of the population's cash income and expenditures and the targets of the state's monetary-credit policy.

Article 28

1. The Council of Ministers Planning Commission is the supreme body of the state administration in matters of socioeconomic planning.
2. Separate laws specify the roles of the Minister of Finance and the Chairman of the Polish National Bank.

Article 29

1. One of the tasks of the Council of Ministers Planning Commission is the preparation of drafts and analyses of the implementation of long-range plans, national socioeconomic plans, and annual central plans. The ministers, the central cooperative unions, and the voivodship governors cooperate and work in concert with the Council of Ministers Planning Commission in this area.
2. The chairman of the Council of Ministers Planning Commission does the following:
 - 1) sets up the work on long-range studies, programs, and forecasts as described in Article 22, Paragraph 1,
 - 2) at Council of Ministers meetings brings up long-range plan drafts, variant national socioeconomic plan targets and annual central plan targets, as well as drafts of national socioeconomic plans and annual central plans,
 - 3) analyzes the way the plan implementation is going and informs the Council of Ministers of the findings, if need be, making proposals concerning the action which needs to be taken to insure that the plans are accomplished and making proposals concerning changes in the national socioeconomic plan and the annual central plan,
 - 4) presents the Council of Ministers with reports on the execution of the plans discussed in Paragraph 1,
 - 5) establishes the course and methodology of drawing up the national socioeconomic plan and the annual central plan.

Article 30

1. According to the scope of their operation, the ministers compile analyses of economic processes and forecasts of development, present proposals for drawing up drafts of the national socioeconomic plan and the annual central plan, giving particular attention to the directions of structural changes, directions of scientific and technical policy, and foreign cooperation; present proposals concerning the application of economic instruments, take part in international coordination of plans, and monitor the implementation of decisions of state bodies.

2. In cooperation with the Minister of Finance and the chairman of the Polish National Bank, the chairman of the Council of Ministers sees to it that the national socioeconomic plan and the annual central plan are mutually consistent with the financial plans.

3. The Council of Ministers coordinates activity and resolves divergences in the planning process.

Article 31

1. The voivodship people's councils do the following:

1) review long-range plan drafts in the instances mentioned in Article 14, Paragraph 7,

2) review targets of plans and also ratify voivodship socioeconomic plans, voivodship annual plans, and voivodship budgets,

3) evaluate the execution of voivodship plans and voivodship budgets.

2. The regulations of Paragraph 1 apply correspondingly to the town and city people's council and to the parish people's councils.

3. Voivodship governors do the following:

1) present variants of assumptions and targets of voivodship annual and socioeconomic plans as well as drafts of long-range voivodship plans to the voivodship people's councils for discussion,

2) present the voivodship people's councils with drafts of voivodship socioeconomic and annual plans and voivodship budgets,

3) undertake action to carry out these plans,

4) present reports on their implementation at sessions of the voivodship people's councils.

4. The regulation of Paragraph 3 applies to the presidents of cities, towns, and parishes, as appropriate.

Article 32

Jurisdiction in planning matters in the state enterprises and other units of the socialized economy is determined as appropriate by the laws on state enterprises, the worker self-government of state enterprises, and cooperatives and their unions.

Chapter 8: Temporary and Final Regulations

Article 33

For the period of the inculcation of the economic reform, but not beyond the end of 1983, the Council of Ministers is authorized to do the following:

- 1) use state control of turnover of raw and other materials, products, and foreign exchange funds,
- 2) draw up a national socioeconomic plan for a period shorter than 5 years.

Article 34

In the law, wherever there is mention of:

- 1) supreme bodies of the state administration or ministries, this also means central bodies of the state administration and their directors,
- 2) voivodship people's councils or voivodship governors, this also means the people's councils of cities with the rank of voivodship and the presidents of these cities,
- 3) parish or town people's councils or the directors of mayors of towns and parishes, this also means joint people's councils for towns and parishes, heads of towns and parishes [mayors], and mayors of towns at the basic level,
- 4) town and parish plans, this also means joint plans for towns and parishes.

Article 35

The decree on the planned national economy, dated 1 October 1947 (DZIENNIK USTAW No 64, Item 373) is void.

Article 36

The law goes into effect as of 1 July 1982

Chairman of the Council of State: H. Jablonski
Secretary of the Council of State: E. Duda

10790
CSO: 2600/822

POSITION ON INTERNATIONAL RAW MATERIALS AGREEMENTS URGED

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 17-20

[Article by Henryk Wojciechowski: "An Integrated Raw Materials Program Or Unfulfilled Expectations?"]

[Text] In May 1974, a special session of the United Nations General Assembly, assuming a role of a realistic platform for a dialogue between the group of developed countries and the group of countries of the Third World, has adopted a declaration describing a need to establish a new international economic order, and added to this a Program of Action. Based on this declaration, and within the framework of UNCTAD which was entrusted with its further direction a (so-called) Integrated Raw Materials Program has been conceptually proposed.

In June 1977, the ministers from 24 OECD states (representing the principal raw materials purchasers) expressed their support for the Program and the stabilizing fund which was to be an integral part of it. The draft of the Program stressed the need for a global approach to an international raw materials policy, a reconstruction of the international raw materials market and for the introduction of new action mechanisms to this market. This was to take place by way of:

- stabilization and maintenance of basic raw materials prices (taking into account inflationary tendencies) on a level which would be profitable to the producers and consumers alike,
- limitation of excessive price fluctuations and size of the international raw materials traffic which--until now--was the cause of most troubles for the exporting countries for whom, very frequently, exports were the principal means of financing their own economic needs,
- insuring for the exporting countries an access to the selling market which would be based on the principles of partnership,
- a guarantee for the importing countries of raw materials deliveries which would be stabilized in their size and prices.

The Joint Fund for Raw Materials Price Stabilization became the cornerstone element of the Program. The fund is meant to assist in purchasing of

appropriate amounts of raw materials in order to create buffer stocks which would ensure the producers of receiving proper prices. The understanding respective to the creation of the Fund was signed by 101 countries participating in the regular session of UNCTAD in Geneva on 30 June 1980.

The fundamental purpose of the Integrated Raw Materials Program is the attainment of such [raw materials] price structure which would insure for the principal exporting countries (i.e. mostly countries of the Third World) an improvement in their terms of trade and an increase in their real income from exports, and thus effect an acceleration of their economic development.

The Integrated Raw Materials Program represents only a general framework which should be filled with the texts of separately negotiated, and so far principally independently achieved, international understandings on raw materials, which at this junction will be cooperating with the Integrated Raw Materials Program in accordance with the principles of associations.

The objective extent of the Program was initially limited to 18 raw materials which have an important impact on the world economy. These are:

-- from the food raw materials group: sugar, coffee, cocoa, tea, bananas and beef.

-- from the industrial raw materials group: cotton and cotton yarn, sisal, jute and jute products, natural rubber, copper, tin, bauxite, ores of iron, ores of manganese, phosphates, tropical lumber, oleaginous seeds and vegetable oils.

The actual significance of the regulation of the world raw materials market, taken as a whole, lies in the raw materials understandings which are conducted for each of them. By virtue of standardization of the principles of their activity, those understandings (with a financial assistance) will achieve the goals and tasks which were generally presented in the Integrated Raw Materials Program. Meanwhile, the basic tool for the implementation of these goals becomes the Joint Fund of the Integrated Raw Materials Program. In accordance with the assumptions this Fund is to become the financing [crediting] means of the activities tied to the Integrated Raw Materials Program as international raw materials understandings. This will occur mainly by virtue of creating buffer stocks [of raw materials] which will maintain, for a specific period of time, [a given level of] international prices for the specific raw materials. A parallel aim of this Fund is to assist in the development of raw materials economy of the Third World countries (i.e. development of extraction, production and processing bases) as well as a development of market demand for a particular raw material.

In accordance with these assumptions the Joint Integrated Raw Materials Program's Fund was divided into two separate accounts (referred to as "windows") in order to finance the needs of both groups. For both accounts (whose capital has been apportioned into shares with a nominal value of 1 million dollars each) were projected separate sources of funds.

Fund I is to be made up from mandatory assessments paid in directly by the member states and from monies transferred by particular international raw materials understandings--for a total of 400 million dollars. The member states share for this understanding are to be as follows:

Developing countries [Group of 77]	10.4 percent
Developed, capitalist countries	70.8 percent
Socialist countries	12.7 percent
China [People's Republic of]	4.8 percent
Other countries	1.3 percent

The amount of shares (as deposits) of the particular raw materials understandings was projected at one-third of the foreseeable maximum financial requirements for their buffer stocks. The amount of monies deposited by these understandings will, in the future, determine the amount of credit they may obtain for the maintenance of their stocks. It has been assumed that out of Fund I intermediate-term credits will be granted for the financing of international or internationally controlled buffer stocks which would be at the disposal of the international raw materials understandings, for the amount equal to twice the value of the deposits and paid against the presentation of stocks holdings documentation.

The credits obtained, thanks to a low interest rate, will be cheaper than credits which can be obtained on the international financial markets. The crediting of stocks through the Integrated Raw Materials Program will be subject to the following conditions:

- they can be obtained by those understandings which include a decisive majority of the producer and consumer countries for a given raw material,
- Their statutes must provide for equality of maintenance of buffer stocks by the producers and the consumers,
- the states which are party to a given understanding should also be members of the Integrated Raw Materials Program.

Fund II is made up of voluntary payments by the governments of states participating in the Integrated Program as well as monies received from other sources (for example from international associations or organizations). The total of monies to be assembled in this account will amount to 350 million dollars. On the recommendation of the special consultative committee, the monies from this fund could be used for an improvement of the status of the weakly developed raw material [supplier] states, for the development of a raw material base, an increase of productive efficiency, raw material processing, marketing, etc. This is supposed to result in a revitalization of the sales of a given raw material, within reasonable limits, that would parallel the growth of developing needs.

Safeguards have been instituted into the Joint Fund handling system to insure the right of decision in its distribution to the developing countries. Although it is the developed countries which are the principal contributors of

the capital (51 percent of total contributions including 70.8 percent to Fund I), they have only 42 percent of the vote, while the developing countries, who contribute only 32 percent of the capital, have preserved for themselves 47 percent of the vote. It is worth noting that such relationships between the amounts contributed and the voting rights have resulted in many reservations, even during the preliminary negotiations. In particular the United States, Great Britain, France and Japan were afraid that the Fund would be transformed into yet another version of an organization of the countries of the Third World, which would make decisions regarding many important raw materials (even if regarded from a strategic point of view), and in the same fashion like the [petroleum] OPEC. Under these circumstances, a certain shifting of the payment due dates has taken place [in payments to the Fund]. This fact, in view of the clause that the Fund will not come to life until after ratification by the parliaments of 90 member states (which constitute two-thirds of the contributions of the agreed capital), threatened a cancellation, or at least a postponement of the final signing of the accords.

The highest benefits from the implementation of the Integrated Raw Materials Program were to fall on the countries of the Third World. One of the heretofore occurring shortcomings of the world raw materials market, which had negatively influenced formation of national incomes of this group of countries, were the short term variations in the raw materials prices and consequently their revenues from exports. This made it impossible to make any long-range plans for economic development in those countries where, quite often, the only sizeable position in total exports was attributable to the raw materials. The process of formulation of price relationships between supply and demand were often distorted by stock market speculations. This speculation became, for many raw materials, the only price indicator on a global scale, therefore, all the weaker and dependent countries had to, as a rule, conform to it. Thus, by undertaking cooperation between the producers and consumers, who have to cooperate in order to adjust the production to the needs, they found themselves in a position to jointly determine the process, on this basis, thus attempting to obtain a dampening effect on price variations and a simultaneous price stabilization on a level which would be relatively profitable to both sides. An increase in revenues from export of raw materials should, in turn, allow the particular producers to further develop their economies, and under favorable conditions to develop processing and improvement facilities for their raw materials.

Even the developed countries--chief consumers of these raw materials--were interested in undertaking a comprehensive attempt at an international regulation of the raw materials turnover. Under the conditions of scattered occurrence of raw material sources, there was always a danger of a stoppage of extraction, lowering of production or a conspiracy of several producers to halt deliveries to specified customers. A drastic example of the above can be had from the experiences with OPEC countries actions during 1973-1974 and later. This danger could be avoided if all the raw materials, which were of interest to all participating states, were included under a comprehensive agreement. Joining the Integrated Raw Materials Program would, therefore, benefit even the importing countries. Although their influence on the flawless functioning

of the integrated market was lessened by an unfavorable, for them, vote allocation, which also influenced their right of decision concerning the division of funds, it has been recognized that even under the conditions of a big divergence between the countries of the Third World, the 42 percent of the vote held by the developed countries will form a satisfactory guarantee on maintaining an adequate influence on the activities of the Program and the disbursement of funds. At the same time it has been acknowledged that the integration of assistance in one joint fund is, in itself, its most economical form. A concentration of all the assistance capital at the disposal of one single Fund will permit a concentration of assistance loans for those raw materials whose prices continue to form themselves in an unfavorable manner, or which would require a renewal of intensification in the extraction or marketing phases. Under the conditions of a large Fund flotation and a prompt repayment of granted credits (loaned on intermediate terms) the needs of the Fund will not be so high as those of the [reported until now] separately contracted raw materials agreements.

At the moment of signing of the Integrated Raw Materials Program it has to be assumed that--with the achievement of concurrence of 101 member states--there are no obstructions to its implementation. However, what really will happen in the future, that depends on the assumptions.

One of the basic purposes of the Integrated Program was to consolidate international raw materials understandings which were, heretofore, independently operating and pursued according to their own programs. Nevertheless, up to the moment of signing of the Integrated Raw Materials Program, out of the 18 raw materials specified within, such understandings existed only with respect to 4 raw materials. These included sugar, cocoa, coffee and tin. Some of those agreements were in effect for a long time (beginnings of the Sugar Agreement go back to the end of the 19th century), mostly they date back to the interim between World War I and World War II, or as far back as the last three decades. All those agreements have until now served the particular interests of their signatories and, although their aims are identical, the majority of them have to be renegotiated before they can become part of the Integrated Program and jointly serve their common goals. The situation with respect to the remaining raw materials is as follows:

The International Rubber Understanding was signed in 1979. It will become legally valid at the time of ratification by those countries which represent 80 percent of the world's natural rubber turnover. During the same year a new understanding pertaining to olive oil [from olives] was signed. It is to be renegotiated every 5 years, however, it only has a consultative character and does not contain any provisions relative to prices or buffer stocks. Several other understandings are in the preliminary stages of negotiations, those are the understandings pertaining to tea, copper, cotton, jute, hard fibers (sisal), tropical lumber and beef. There is, so far, lack of any progress in preparations for those understandings which pertain to the other raw materials listed in the Program.

Meanwhile, self-financing from the monies accumulated in the Joint Fund will exert its influence on maintaining any given price level on the world's raw

materials markets, but only then when there shall be a sufficiently wide screen of understandings concentrated under the banner of the Integrated Raw Materials Program (and which would have paid their deposits into the Fund). At the present time there are 4 understandings (with respect to coffee, cocoa, sugar and tin) which, according to the Integrated Raw Materials Program rules are obligated to pay to the Fund a deposit, in the amount of one-third of the forecasted maximum financial needs for their buffer stocks. Nevertheless, the impact of the integrated Raw Materials Program and its Fund, as exerted on the world's markets, will be effective only then when--based on calculations--at least ten branch [raw material item] understandings will have paid their deposits. Failing this, it will become indispensable to raise the initial capital by issuing debentures on the international financial markets, which in turn will result in a considerably more expensive credit.

There are, concurrently, understandings with respect to other raw materials which are not included on the list of the 18, worldwide, most important materials of the Integrated Program. Listed among those is, first of all, wheat. This is controlled by the International Wheat Council which includes representatives from about 70 countries, and an agreement--in its final stages of negotiations--on matters of feed grains trade (barley, corn, oats and sorghum). Although the Integrated Raw Materials Program maintains that the 18 listed raw materials do not represent a closed list, meaning that this list may be expanded and in the future, and may include other raw materials, other international understandings may be added to the Program (under the conditions that the understandings pertaining to the most important raw materials were still not regulated), this, however, appears not to be a crucial matter to the organizers of the Program, and a matter not in the immediate future.

Another question arises: what will happen if other understandings, of the type that is now being organized under the auspices of the Integrated Raw Materials Program, should be concluded by the developed countries? Will such understandings be equally capable of taking advantage of general rules and credits which would support their buffer stocks, stabilize prices, etc? An example of such understanding lies in the International Dairy Agreement which was concluded in 1979. Its purpose is the regulation of market conditions for milk and its products by way of fixing of minimum prices and amelioration of customs barriers. At the disposal of the International Dairy Agreement are considerable intervening reserves of butter and powdered milk which actually are burdening the finances of the producing countries.

Already in the course of the pre-understanding preliminary talks reservations have been made by socialist countries stating that the transactions concluded within the scope of the understandings should be exempt from the controls and calculations of the Joint Fund. This was being justified, among others, in the way which maintained that the international raw materials understandings pertain to the "free market" and, as such, they may not include those regulations of transactions which are being executed on the force of agreed understandings.

In order to make the Program effective it should include the maximum possible number of international raw materials understandings, and unite the maximum possible number of states, both importing and exporting, because only when both those conditions were satisfied there would be a guarantee of effectiveness and permanency of its activity. At the basis of every raw materials understanding lies the desire to maintain respectively high and stabilized prices for the raw materials which are the subject of its interests and demands. However, as it happens often, political events or sudden drastic changes in supply (the demand for raw materials is relatively stable) result in limitations to the effective course of agreements, leading sometimes to a serious undermining of their meanings or even to a breach [of agreements]. Under these conditions the events occurring within the sphere of one of the raw materials understandings, included in the Integrated Raw Materials Program, will influence all the relationships in raw materials transactions in the world. In any case, the goals which influence the actions of a participant in one international understanding may be contrary to those of other international understandings or even to those of the Integrated Raw Materials Program itself. The list of the 18 raw materials includes those which may, under the current worldwide economic conditions, occur in a complementing manner, nevertheless, the Integrated Program does not exclude the possibility of adding to it other raw materials to include those which, by increasing their worldwide turnover, could do so only at the expense of decreasing the turnover of other raw materials. Tied to this is the problem of substitutes of given raw materials. The latter, on the other hand, are primarily produced and exported by the developed countries (for example natural rubber and synthetic rubber). A question arises here: Under such circumstances, what will be the reaction of the industrialized countries which, on the one hand, participate financially in the development, extraction and production of a given raw material in the countries of the Third World, while, on the other hand, they limit for themselves the possibilities of production of its substitutes. A clear example of this can be seen in the behavior of OPEC in the area of oil extraction and the supply of oil to the world markets. An intensive oil extraction--aided by the financial assistance of the industrialized states--was, at the onset of the 1970's and following the nationalization of holdings, and following a takeover of the initiative in world oil marketing activities [by OPEC], severely curtailed consequently placing the industrialized countries in the unfamiliar position of a petitioner, dependent on the decisions of the [raw material] owners.

A danger of a repetition of such a situation in the field of other raw materials exists, above all, where a small number of countries concentrate the holdings of supplies which play a significant role in world trade. Although the consumer countries, being dependent to a great degree on the supply of these raw materials, are attempting to introduce various safeguards for their interests, in the form of subordinating the production to international bodies which in turn are steered by the [consumer] countries' governments, or in the form of a development of a substitute material production--concrete examples show that such insurances are either not enough or that they are impossible to implement. Thus they often choose another approach--nonparticipation in understandings, but with a financial support to these understandings' activities. A classical example can be seen in the policies of

the United States or the countries of the European Common Market. These countries insure their influence on the shaping of the policies and actions of the various understandings by manipulating [financial] grants and by financing their activities. At the same time these countries reserve for themselves the freedom of action respective to any given raw material market by regulating its purchases in accordance with their own interests.

During the time which has passed since the signing of the Integrated Raw Materials Program agreement a silence appeared to fall on that subject. Officially it is being said that everything depends on the rate of making the international understandings respective to other raw materials--first of all those that were included on the Integrated Raw Materials Program list--and to adapt the existing agreements which are in process of negotiation, or have already been completed, to the demands of the Integrated Raw Materials Program. As was outlined above--this appears to be a long way off. Standing in the way will be not only those, heretofore existing, antagonistic processes within the Third World, but also those that form in relations of other countries in that group and the developed countries, as well as multinational special interests of individual states or groups of states or countries.

The participation of socialist countries, including Poland, has been provided for in the Integrated Raw Materials Program. The socialist countries have been assessed a total of 12.7 percent of monies due in at "Window I" of the Fund, i.e., about 50 million dollars. It is also well known that the socialist countries are not a member of any of the raw materials understandings which will become part of the Integrated Raw Materials Program. In this connection a question is asked: What benefits will be derived by Poland from its participation in the Program? Out of the 18 listed raw materials only a handful are of interest to us. On the export side there are sugar and copper; on the import side are cotton, rubber, iron ore and phosphates. With respect to the exported goods, Poland favors their free sale through transactions on the exchange, with respect to the imports we try, first of all, to use our connections with the socialist countries, mainly those with the Soviet Union. Therefore, our possibilities for sales and satisfaction of needs, respective to the raw materials listed by the Integrated Raw Materials Program, do not justify our permanent participation in the respective raw materials understandings. However, will we be able to insure for ourselves a degree of profitability and an assured continued opportunity to purchase or sale of these goods at the most advantageous prices if we limit ourselves to trade on the free market? Unfortunately, we do not always profit from our activities on the exchange, we are often forced, by unforeseen circumstances, to make our purchases under acute inflationary price conditions.

Thus, our rather neutral posture towards the international raw materials understandings should be looked at and reconsidered. We are not in a position to pursue politics (such as those conducted by the industrial powers like the United States, the European Common Market or Japan) by financially supporting the understandings on one hand, and withholding our acceptance of obligations dictated by those understandings--on the other hand. Membership in these understandings does represent a definite asset which is so important from our point of view: it does guarantee for us the possibilities of effecting a sale

or obtaining supplies of raw materials in the amounts and at prices determined by these understandings. This will be, without a doubt, an important asset to our national economy.

The economic system reform in our country, the necessity to pay off huge debts, the need to reorganize the exports side of our foreign trade--they all point to a need to revise our relationships with the worldwide economic changes and the movements towards a new economic order in the world. We have, until now, left those factors outside our sphere of interests. This also calls for a need, by us, to examine the forming of many international understandings, inclusive of raw materials understandings, and where we need to participate actively therein.

9511

CSO: 2600/760

ISSUE OF LEASING IN FOREIGN TRADE DISCUSSED

Warsaw HANDEL ZAGRANICZNY in Polish No 3, 1982 pp 25-26

[Article by Jerzy Poczobut: "Leasing Agreement in International Trade"]

[Text] The application of leasing--as a specific form of utilization of investment objects and durable consumer goods, as well as a convenient form of financing--is again emerging as pertinent under the circumstances in Poland. It serves to reduce the extent of damages caused by mismanagement of investment objects from imports and for revitalization of Polish specialized exports of machinery and equipment.¹

From an economist's point of view, leasing represents a specific form of material credit based on a periodic opportunity to obtain gains from payments for use of certain material goods. With respect to the investment goods, this is achieved by a temporary inclusion in the inventory² of a means of production of an enterprise of the user, this could be defined as "borrowing" of fixed capital. The user, acquiring by means of leasing permanent [type] means needed for his industrial activity, avoids payment of his own outlays following the "pay as you go" rule. This is possible because he makes leasing payments [rent] out of his current income derived from the use of the machinery and equipment made available to him by leasing. The leasing of durable consumer goods satisfies the consumer's credit, consequently the consumer is able to use the needed goods.

Experiences of the last few years have demonstrated that the leasing may become an independent economic activity, or, it may become one of the elements in a chain of specific activities within the framework of an extensive, cooperating industrial enterprise.

The growth of the economic significance of the practice of leasing resulted in a need for its lawful regulation on the national and international scale. Leasing is currently regulated on a national scale, for example, in France (decree of 2 July 1966, pertaining to enterprises which engage in leasing, and decree of 4 July 1972, pertaining to the overt disclosure of chattel goods leasing), in the Federal Republic of Germany (decree of the minister of finance of 19 April 1971, pertaining to taxation of income derived from leasing of chattel goods), in Brazil (act of 12 October 1972, pertaining to leasing), in the German Democratic Republic (maritime codex of 5 February 1976,

as it pertains to ship lease agreements) and in Spain (Royal Decree of 25 February 1977, pertaining to public taxation, financing and investment means). There are also attempts being made to regulate leasing on an international scale. A group of experts, acting under the auspices of the International Institute of Civil Law Unification [UNIDROIT] adopted, in March 1981, an initial draft of a convention on uniform international principles in leasing transactions.

Recognizing the importance of leasing transactions in international trade and foreseeing the possibility of their wider application in Polish foreign trade, a Commission of Experts in International Trade Code (Later renamed Commission for the Matter of a Statute on Civil Law Relationships in International Trade) which was called to life by the minister of foreign trade and maritime commerce in May 1977, included the problematics of the leasing agreements in their work program. From the actual version of the Draft of the Statute prepared by this Commission (this project is in a process of legislative preparation during this year [1982]), leasing agreements are regulated by Articles 136-148. The specifics of leasing agreements and the possibilities of application of leasing transactions in our foreign trade transactions justify the purposefulness of a more detailed preparation of assumptions and solution details applied by the Commission of Experts with respect to this subject, especially as the work of this Commission may prove to be useful in the current contractual practices of foreign trade enterprises.

In discussing repeatedly different aspects of the leasing problematics, the above-cited Commission of Experts had finally selected the fundamental position which is actually predominant in the West European science and practice.³ According to this position, out of all the transactions which are currently referred to as leasing, one must isolate the function of leasing within the strictest meaning of the term. Only the practice of "finance equipment leasing" has been recognized as a legal "novum," it can be distinguished by a specific test and application of laws and by specific responsibilities of both parties. Among the basic characteristic of this group of leasing agreements are:

- duration of several years, corresponding to the useful life of the object of lease,
- a lack--in principle--of possibilities for termination of the agreement prior to the expiration of the term for which contracted,
- assignment to the lessee [user] of the maintenance costs of the object of lease,
- assumption, by the lessee, of the risks and burdens connected with the object of lease,
- property rights to the object of lease remaining with the lessor [one who leases out] enterprise for the duration of the lease,

-- awarding to the lessee a purchase option right, to the object of lease.

In this type of transaction the main obligation of the lessor is to hand over, to the other party, the object of lease for purposes of its utilization. The main obligation of the lessee is to make timely payments for the right of using the object of lease. The objective sought by both sides, when entering into a "finance equipment leasing" contract is to make it possible, for the lessee, to use the object of lease in a specific manner, and during a fixed period of time which, normally, approximates the useful life span of the object of lease, while the lessee renders lease payments which ordinarily are in excess of the value of the object of lease.

In Polish lay literature such an agreement was being recognized as a new type of agreement, or it was simply categorized as a new type of unspecified⁴ agreement which was isolated in practice. The Commission of Experts, based on a detailed analysis of this practice, decided to regulate equipment leasing in the form of a specific contract, descriptively called: "Contract for a Period of Use of an Item," which was defined as follows: "By the contract for the period of use of an item (leasing) the lessor agrees to deliver the item for use by the lessee, for an indicated period of time, the lessee agrees to pay the lessor a periodic payment calculated to cover the value of the leased item over the period of the duration of the lease. The lessee, at the conclusion of the agreement, has a right to demand that the title to the leased item be transferred to him. If the parties to the lease do not agree on the [final] price, this will be determined by a court of law or a court of arbitration, considering the value of the leased item at the time of the conclusion of the agreement" (Art. 136 of the draft).⁵

The basic difference between leasing and a classic type of contract [for hire], under the Polish Civil Code (1964), is that a complete exploitation of the period of economic usefulness of the leased item is taking place within the framework of a legal relationship between the lessee and the lessor, i.e., a rent paid over the period of the lease is, therefore, compared (as to its function) to the price of purchase. However, leasing cannot be compared to a variation of an installation purchase because the transfer of title to the lessee is only an eventuality and, additionally, it would pertain to an item which is--in principle--economically used up.⁶

The principal obligation of the lessor is to make the object of lease available to the lessee. Because objects of lease are, as a rule, specific investment goods which are often made to order, the Commission saw fit to underline that: "The lessor should deliver the object of lease in a condition suitable for the intended use" (Article 138 of the draft), also: "If the object delivered to the lessee contains faults, appropriate regulations are to be applied respective to the seller's responsibilities for faults in the object of sale. The lessee is obligated to inform the lessor of any investigation, by a third person, regarding any claims respective of the object of lease" (Article 140 of the draft).

Demanding particular attention was the matter of the delivery of the object of lease by means of (so-called) intermediary lease. Intermediary lease is

based on the fact that there is a third person (a leasing enterprise) between the producer of the object of lease and the lessee. Here, the leasing enterprise procures an item [for leasing] from the producer (item of machinery or equipment) and subsequently delivers it for use to its client, for a period of time based on the leasing agreement.⁷ In order to protect the due interests of the lessee which result from a distribution of risks and costs connected with the object of lease, that are very unfavorable to him, [the Commission] adopted this motion: "If the lessor obtains the object of lease from a third person and obligates them to deliver the said object to the lessee, and excludes within the contents of the agreement himself from the responsibility of accomplishing that obligation [delivery] by the seller (intermediary leasing), all claims to the seller of the object of lease relative to non-execution or improper execution of the terms of sale will be vested equally in the lessor and the lessee. If the seller does not deliver the object of lease in conformance with the agreement, before the end of the last day indicated by the lessee, the lessee is then entitled to cancel the lease agreement" (Article 139 of the draft).

The basic duty of the lessee is to make payments. Questions relevant to the payments were regulated by the Commission as follows: "The lessee is obligated to make payments on the agreed terms. If the agreement does not specify the terms of payment, then the payments should be rendered monthly, in advance, before the tenth day of each month." (Article 143 of the draft). And further: "If the lessee is late with the payment by at least two full payment periods, the lessor may abrogate the agreement and demand the return of the object of lease" (Article 144 of the draft). If the object of lease should become confiscated [seized] as a result of an impoundment action against the lessee, or if the lessee should lose the legal possession of the object of lease, the lessor may demand payment in full of the balance of payments due for the entire period of the lease. The party obligated to pay is entitled, however, to deduct from the payment the sum gained (by the lessor) which would result from the early pre-payment" (Article 145 of the draft).

The solutions characteristic of the "finance equipment leasing" are those adopted in the last two articles, those form a basis on which the lessee may abrogate the lease and for the sanction specific to this type of leasing-- obligation to render the payment in full for the entire period of the lease.

Following accepted practice it was adopted that: "the lessee may not, without the consent of the lessor, pass the object of lease to a third person, make any alterations to the object or change the location of the object of lease which would be contrary to the terms of the agreement" (Article 141 of the draft). The lessee is also obligated to maintain the object of lease and to afford the lessor access to the object. He is also bound to return the object of lease to the lessor at the conclusion of the term of the agreement. "The lessee assumes all the costs and expenses connected with the object of lease" (Article 141 of the draft). "The lessor may demand access to the object of lease in order to determine that it is being used in accordance with the terms of the lease" (Article 146 of the draft). "Should the lessee, at the conclusion of the lease, not elect the option of acquiring the title to the

object of lease, he is then obligated to return it to the lessor in a condition that is not worse than it would be expected of normal wear and tear" (Article 148 of the draft).

In the question of division of risks between the partners to a lease, the Commission adopted the following as conforming to the accepted practice: "Accidental damage to, or a loss of the object of lease does not release the lessee from the obligation of rendering payments for the full period of the lease, such action becoming due immediately. The lessee may deduct from this payment a sum of money which would be gained by the lessor as a result of early prepayment" and "The lessee should inform the lessor of any damage to, or loss of the object of lease" (Article 137 of the draft).

The intention of the Commission to balance the legal relationship of both parties to a lease can be seen (among others) in awarding a claim (relative to Article 678 and 679 Civil Code) protecting the lessee in the event that the lessor sells the object of lease, without a legal participation of the lessee. It awards to the lessee the right of a lien on the object of lease for the purpose of securing of claims for damages from the lessor. This problem is regulated by Article 147 of the draft, as follows: "The lessor may sell the object of lease, without the consent of the lessee, only then when he can simultaneously assign to the purchaser all his rights and obligations under the leasing agreement. In the event that the lessor should violate this provision, the lessee has the right of lien on the object of lease for the purpose of securing claims for damages. Until the time of settlement of payment for damages, the lessee may continue to use the object of lease in accordance with the terms of the contract."

The above-mentioned draft of rules for regulation of leasing agreements is tied by manifold conditions to other regulations which are part of a greater legal entity forming the draft of a statute on civil law relationships in international trade.

FOOTNOTES

1. See, for example, J. Bekas, K. Witaszak: "Leasing Instead of Rust" POLITYKA-EXPORT-IMPORT Nr 3/1981; Z. Szymanski: "It Is Better To Lease To Buy" ZYCIE WARSZAWY 27 July 1979.
2. The term: "Utilization" [uzytkowanie] as used in Polish publications on economics appears to be misunderstood, from a civil law viewpoint, because the objects of lease as a rule, do not give natural gains and the obtainment of any civil gains is precluded by a respective clause of the agreement.
3. The period of use is this time during which the object of lease maintains its capability to satisfy the needs of the user. This period is contingent on the rate of physical and technical ("moral") consumption of the object of lease.

4. Compare: Z. Radwanski: "Leasing--A New Kind of Agreement" [extract]
"Works from the Realm of Civil Law and Law on Non-Material Goods" from:
1, WARSZAWA-KRAKOW 1973, pp 101-113; also J. Poczobut: "From the
Problematics of Leasing Agreements" STUDIA PRAWNICZE Nr 3/1976, pp 189-211.
5. On the subject of legal definitions on leasing in other countries see:
J. Marciniak: "Leasing--New Method To Obtain Material Capital" RUCH
PRAWNICZY, EKONOMICZNY I SOCIOLOGICZNY Nr 1/1978 pp 139-159.
6. Compare: "Statute on Civil Law Relationships in International Trade--
Draft Version V" Warsaw 1981, typewritten multilith, p 126.
7. In direct leasing the lessor is also the producer of the object of lease.

9511

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RESOURCES, AIMS FOR 1982 TRANSPORTATION OPERATIONAL PLAN REVIEWED

Warsaw PRZEGLAD KOMUNIKACYONY No 2, May 82 pp 33-36

[Article by Stefan Pozniak: "Operational Transportation Program - Aims and Resources"]

[Text] Railway and highway transportation has become the subject of one of 14 government operational programs. These programs outline basic aims and material resources for selected sectors seen as the most vital for meeting social and economic needs in 1982, in this time of continuing crisis, and for overcoming this crisis. The main goal of the transportation program is to provide, under the current circumstances, a transportation capacity which will meet basic needs in moving people and commodities, and also to prepare transportation for smooth work in the time of projected economic recovery and, especially, increase in production.

The program devotes special attention to the problem of commodity transportation.

Preliminary assumptions for the 1982 plan as to the volume of industrial and agricultural production, construction projects and foreign trade turnover served as a point of departure for drawing up operational programs. However, a wide array of unknowns made it impossible to specify more precisely actual transportation needs of the economy over the span of an entire year: such as production of many industrial sub-sectors, volume, commodity structure and destination of exports and imports as well as the influence of the economic reform and new, higher commodity tariffs on the geography, physical composition and volume of transport. Opportunities for surprise events and deviations from the plan should be reckoned with even in quarter plans. It was not possible to set specific transport tasks for this sector. A more flexible formula was substituted for them in the program, namely, a binding obligation of railroads, public and enterprise motor transport to provide specific transportation capacity in each quarter. This capacity is regarded as a mandatory minimum.

This minimum for the first quarter of this year was set at 99 million tons of cargo for standard-gauge railroads, at 37 million tons for PKS [Polish Motor Transport], at 1.9 million tons for transportation cooperatives and at 130 million tons for branch enterprises of motor transport combined. Actual

transport volumes in the first quarter were lower than those required by the operational program and provided by transportation - by about 4.5 million tons for PKP I Polish State Railroads I, 9 million tons for PKS and 37 million tons for enterprise motor transport. All requests filed for transportation services were met.

Incomplete utilization of transportation capacity is primarily due to the further appreciable decrease in production in the first quarter compared to the same period in 1981, with the exception of the mining and cement industry. Due to this, for example, PKP transported in January, February and March of this year 4.6 million tons less than a year ago. However, a slowdown in the rate of further decrease in total railroad transportation has been considerable. Let us bear in mind that in the first quarter of 1981 railroads carried 20 million tons less of cargo than in the same period of 1980. Coal transportation made the difference. In the first quarter of this year, railroads carried about 40 million tons of coal, or 7.4 million tons more than a year ago. Mining on Saturdays, resumed in 1982, and record-breaking mining output on weekdays were a major influence. PKP met the resulting transportation needs fully and smoothly.

The transportation operational plan for the second quarter sets higher requirements as to transport-volume in view of the budding gradual economic recovery and increase in output. These volumes were set at 102 million tons for standard-gauge railroads, at 34 million tons for PKS, at 2.2 million tons for transportation cooperatives and at 139 million tons for enterprise transportation. Projections for the second half-year, are, respectively, 219, 74, 4.9 and 313 million tons of cargo. The sum of cargo transported in the first quarter, plans for the second quarter and forecasts for the second half year suggest transport volumes of 415 million tons for PKP and 136 million tons for PKS over the entire year. (I leave out transportation cooperatives due to their small scale of operations and also enterprise motor transport. As for the latter, forecasts are still tentative and not yet studied precisely). The two above statistics are lower than those for PKP and PKS in the 1982 Central Socio-Economic Plan; by 5 and 29 million tons respectively. However, compared to the 1981 fulfillment, this would mean considerable growth for PKP - by about 21 million tons, whereas PKS would register a further decrease in transport volume by about 20 million tons.

This comparison mirrors the essence of current assumptions in transportation policy from which the operational program for 1982 proceeded, possible significant changes in the following quarters notwithstanding. These assumptions, based on a realistic assessment of the fuel and energy situation in the country, give a conscious and express preference to railroad transportation to the necessary minimum. Given existing very modest opportunities of liquid fuel imports, there is no other way out.

In practice, this means that the railroad will take over some hauls, especially long-distance ones, of the motor transport. Service to some stations and sidings cancelled years ago will be resumed, cars will be delivered to a greater number of loading and unloading points. In a word, transportation policy of PKP, organization and technology of transportation will be

subordinated to new conditions and requirements. Much has been done along these lines in recent years by introducing more flexible regulations and policies and by canceling many bans and restrictions imposed on customers in an administrative fashion. From the beginning of 1982, many of these regulations were replaced by a new system of incentives and disincentives.

Assuming the wide "opening up" of PKP to cargo, we must, however, reckon with a situation where the PKP rolling stock will at times be insufficient to meet the needs of all customers simultaneously. First difficulties of this kind have already occurred, in March, and not only with boxcars which have been in short supply for years due to discontinuation of their production. The situation with coal cars was similar, while there had been a certain slack in the supply of them for months. Increased demand for coal transportation, including export deliveries over land, was a decisive factor in the deterioration of the car situation. Due to exports over land, the number of coal cars staying abroad increased. In anticipation of such situations, the operational plan had provided a year-long priority for transporting coal and liquid fuels, basic raw and other materials for key industrial enterprises and housing construction, food cargoes and import, export and transit deliveries.

In a different field, the aims of railroad transportation are associated with locomotive service. The main concept of this service is further rapid development of electric traction, limiting as far as possible, the use of diesel locomotives and maintaining the now small share of steam locomotives. The structure of this year's delivery of locomotive rolling stock corresponds to this concept.

In motor transport, the full situation forces a reduction to the minimum of dispersed economic organization-operated transport, which has the lowest truck utilization factor. The economic reform must facilitate this. It will certainly compel many smaller enterprises and divisions to give up their own costly transportation and charter public use vehicles for hauling. It should also be expected that the reform will promote an intensive search for closer sources of raw and other materials and markets, which should facilitate the shortening of hauls. Transportation performance of enterprise fleets will probably decrease in comparison with 1981, especially as a result of reduced construction efforts. Within the framework of reduced transportation requirements, PKS will emphasize service to the agricultural and food production sphere, in other words, deliveries of the means of production to rural areas and of produce to cities. Developing local hauls while restricting hauls on long routes is the basic directive for PKS.

The main avenues of transportation policy outlined above apply also to passenger transportation. The capacity of PKP and PKS with regard to passenger transportation will be restricted by allocations of fuel, energy and new rolling stock as well as by the technical condition of stock already in operation. Forecasts for those are not optimistic. It is envisaged that passenger railroad traffic will remain at more or less the level of last year - about 1.1 billion passengers. However, the transportation potential of PKS, which carried about 2.3 billion passengers on its buses in 1981, will

be decreased this year due to limited deliveries of new vehicles and their unfavorable seating capacity structure (PKS is receiving almost exclusively small buses this year) and also due to the immobilization of a large number of vehicles because of an inadequate supply of spare parts, storage batteries, tires and limited fuel allocations.

Under these circumstances, interurban bus traffic, which was suspended altogether in December 1981, was restored to only a minor degree. Number of bus runs decreased even on many medium-distance routes under 150 kilometers and on shorter, typically local routes, especially in off-peak hours and on stretches paralleling railways. PKS has been concentrating its efforts on as smooth as possible service for mass commuting to work and schools. However, even in this priority area certain discomfort could not be avoided. For example, some local PKS units restricted sales of monthly bus passes to inhabitants of localities which have both PKS stops and reasonably convenient train connections. A certain number of passengers had to switch from buses to trains, often at the cost of convenience and a longer way from the house to the stop. The railroad in its turn, had to make new commitments and assume new responsibilities, despite problems such as the shortage of rolling stock, overloading on many routes, difficulties with repairs and maintenance of rolling stock and tracks. However, a fuller utilization of PKP capacity was the only realistic approach to cushioning the impact of the crisis PKS has been going through.

While setting detailed requirements for the transport volume of railroad and motor transportation, the operational plan also specifies supplies for these branches of rolling stock, electricity and fuels, rolled products, steel pipes, cable, cement, lumber, asphalt, batteries, truck tires, machine-tools for repair facilities and so on. The volume of deliveries detailed for each quarter is a compromise between the actual needs of transportation and the current capability of the economy. For example, deliveries of new rolling stock, especially of railroad passenger and freight cars, buses, high and medium-capacity trucks, are very considerably reduced in comparison with 1981. Unlike these, deliveries of some other items should increase somewhat, as among other things, deliveries of switches, wood ties, cement, batteries, tires, machine tools. Allotments of foreign-exchange funds are reduced, which provides less opportunity to purchase spare parts for imported rolling stock.

In the first months of this year, difficulties occurred, and deliveries of some items specified in the operational plan fell short, especially deliveries of fuel for gasoline engines, of some rolled products, switches, coniferous lumber, tires and batteries. Efforts were made to alleviate these difficulties by means of operational co-operation with relevant units in charge of production turnover and units balancing certain commodity groups. In early March, the Board of the Council of Ministers' Planning Commission adopted a resolution aimed at guaranteeing deliveries of centrally distributed goods to transportation at a level enabling the sector to perform planned repair tasks. Needs by far exceed volume of deliveries specified in the plan for some groups of articles, for example, rolled goods, lumber or electric cables. Deliveries of these materials to transportation should be increased over initial allocations as their production gradually grows. This would make it

possible to broaden the scope of PKP rolling stock repairs and modernize traffic control devices. These actions would have an immediate impact on transportation capacity.

Units of the ministry of transportation are vigorously appealing for necessary supplies of goods not distributed centrally to particular producers, but with mixed results.

Experience of the first half year allows us to arrive at the conclusion that an absolute and tangible priority in the sphere of material-technical supply should be accorded to public transportation due to its significance and role in serving the society and economy, and also to enterprises of economic organization-operated transport which serve the food economy. Other sub-sectors of transportation must be considered second priority in the current situation of fuel and materials shortages.

The operational plan in principle does not touch on investment activities in transportation because of new guidelines of investment financing adopted this year and the broadening of enterprise autonomy. Let us note in passing that opportunities of the ministry of transportation in this sphere are very modest this year. Only in railroad electrification will there be an appreciable acceleration - to more than 300 kilometers of track a year, whereas in recent years electrification has not exceeded 200 kilometers a year. Besides this, investment activities are in principle restricted to the continuation of construction and modernization of service and repair facilities (at a rate and on a scale far removed from actual pressing needs) and the implementation of a limited housing and social facilities construction program for the needs of employees. There are no prerequisites for starting new investment projects with the exception of a certain number of so-called minor investments undertaken by the railroad within the framework of the new authority of district managers. Moreover, construction of many projects already started had to be halted out of necessity, for example, laying of new railway track and doubling up of tracks, expansion of several key switching yards, construction of many two-level crossings, highway by-passes around many cities, new stretches of expressways etc. Therefore, 1982 is going to be a very poor year for transportation as far as commissioning of new projects goes, except for railroad electrification.

In the face of very limited development opportunities for transportation this year, maximum effort should be made in repairs and current maintenance of rolling stock, trucks, track, railroad equipment, bridges and highways. Transport volume, which the operational plan requires and which the economy needs while overcoming the crisis and increasing production and turnover of goods - this transport volume can only be ensured through maintaining existing equipment in operating condition and its better utilization.

Reducing the number of "sick" cars (in bad condition, and out of circulation for repairs) which on the average exceeds 50,000 daily, is the most difficult and also the most important task of that kind facing the railroad. To this end, ZNTK I Rolling Stock Repair Enterprises I, railroad car repair shops and railroad customers obligated by government decision, must repair more cars

this year than last year. Different measures are undertaken to improve repair capabilities of railroad facilities such as possibly better technical equipment for shops, a search for buildings which can be inexpensively converted for car repair needs with relative ease, various modernization measures, often carried out by work forces themselves and with small outlays, improvement in organization of repairs and labor environment. However, two issues are all-important, namely, a substantial improvement in supply of needed materials and spare parts, and appreciable growth of employment in rolling stock repair facilities. Meeting this year's transport volume by PKP is directly contingent upon the results of these measures. Similar measures are undertaken in order to improve the repair of locomotives, especially diesel locomotives. A large share of the latter are out of operation, mainly due to the shortage of needed spare parts.

Reducing the number of inoperable buses and trucks is no less a problem. Service and repair facilities of motor transportation are facing difficulties and tasks similar to those of railroad facilities.

While expansion of railway and highway networks is halted, the ministry of transportation is increasing labor costs of routine maintenance and maintenance of existing transportation networks in order to prevent their depreciation. In this field, implementation of plans depends primarily on increases in employment and deliveries of basic materials.

Reorienting efforts and funds away from development and investment activities, and towards repairs and routine maintenance of facilities, rolling stock and vehicles already in operation, is among the main tasks of railroad and motor transportation in 1982.

9761

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CURRENT STATE AND FUTURE OF AIR TRANSPORT ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish No 26, 18 Jul 82 p 3

[Article: "What the Enterprises Are Thinking About LOT--Going Lower"]

[Text] The new spread: first, PLL LOT [Polish Air Lines] is selling airplanes and that it is transporting cows because it lacks passengers. In association with these rumors, one wonders to whom LOT can still sell its airplanes and how much beef will cost if it is transported in this manner. In the shadow of these considerations, a question remains about the status of Poland's civil aviation industry and the prospects for its functioning and survival.

Reality has not been especially kind to LOT. In the mid-1970's, when Okecie International Airport was placed into operation, it was generally thought that its capacity would keep pace with future passenger traffic needs. Three years later, whoever could bypass Warsaw in order not to go through that nightmare at Okecie Airport did so, and as a result the carrier took a drubbing. Now LOT has an excess of transport capacity. And the carrier's entire good fortune is based on the fact that it has aircraft that cost 7 million rubles and not \$40 million each. The amortization charges for the former and latter are incomparable. If it came to delivering Airbuses to the enterprise, bankruptcy would be inevitable, but, as they say at the CZLC [Central Administration of Civil Aviation], somehow the enterprise manages and a total catastrophe does not exist. The fact that the equipment is not new (that is in accordance with the rules of the international association of air carriers) and that it turned out to be helpful in aiding LOT's financial balance is of dubious good fortune; but as had been stated, the ins and outs that this type of transport experiences in Poland are beyond all forecasts.

At LOT one can attempt to improve spirits with the fact that airlines all over the world are also having a hard time. For at least the past 2 years overcapacity has prevailed in the international air transport market, that is, there has been a significant preponderance of supply of transportation services over demand. While operating costs have been increasing (especially fuel costs), a number of airlines, including the giants, have not been able to cover outlays with revenues. Losses were incurred by Sabena, SAS, Alitalia and British Airways. One of the largest American domestic airlines, Braniff, closed the 1980 fiscal year with a deficit of \$118.1 million. It is expected that 1982 will be just as difficult for the airlines as the two preceding years. Interest on investment

credits is high. The airlines do not have the cash to buy new airplanes, and banks are not too anxious to loan money for this purpose. One small consolation: others also do not know fully what to do, and one must share very carefully because the lack of passengers and cargo means the battle for them will intensify. It is another thing to cut our throat's. We are not and we will not be a competitor for the big world airlines. Polonia has gravitated toward LOT, and for these transports to be successful it would pay to restimulate and expand them in future years.

To date LOT's non-domestic activities have not been profitable. In 1980 LOT's revenues form foreign traffic services was almost 3 billion zlotys. With a deficit on the order of 200 million zlotys on domestic routes, the enterprise was able to contribute over 2.7 billion zlotys to the state budget. To be sure, this profit did not come about without the use of a salient conversion factor (80 and not 30 zlotys to the dollar); in any case, they were revenues. The creation of a network of international flight connections (disrupted by the martial law decision) is thus a sine qua non condition for self-financing by the enterprise. According to CULC [Central Office of Civil Aviation] data, foreign flight connections by LOT and its partners were resumed during the first months of this year to the following cities: Algiers, Amsterdam, Athens, Beirut, Belgrade, Berlin, Brussels, Budapest, Damascus, Frankfurt, Geneva, Zurich, Istanbul, Cairo, Moscow, Kiev (Aeroflot only), Copenhagen, London, Paris, Lyons, Madrid, Rome, Milan, Montreal, Prague, Sofia, Stockholm, Tripoli, Tunis and Vienna. Next year it is anticipated that flights will be resumed to the Far East (Damascus, Dubai, Bombay and Bangkok). The flight to New York was terminated unilaterally. (LOT requested arbitration here. The formal arguments here favor the Polish side, which is not tantamount to the possibility of implementing an arbitration judgement.) The CULC also provided data on passenger traffic during the first 4 months of this year (see Table below).

Passengers	January	February	March	April
Total passengers	17,532	24,386	35,718	55,225
--Domestic	6,987	9,718	15,855	29,738
--Foreign	10,545	15,168	19,858	25,487

This is a little over 40 percent of the passenger traffic during this same period last year.

The fact that LOT was able to operate on most foreign lines it has served to date does not mean that flights are occurring at the same frequencies as in the pre-December period. For example, LOT flies to Frankfurt, one of the most difficult routes to date, once a week instead of daily. The CZLC says that in practice we are starting at the beginning, and now we are climbing up with difficulty.

Along with the efforts to recreate the network, attempts are being made to develop new financing bases for foreign traffic service. Beginning in 1980, the transport of Poles on our own LOT lines started to increase, decreasing the transport of foreign-exchange passengers. As a result, funds received for transporting passengers and cargoes payable in foreign exchange ceased to be sufficient to cover outlays for transporting Polish goods and passengers (for

which LOT gets paid in zlotys). Significant foreign exchange outlays associated with the transport of Polish travelers and goods on foreign airlines were spent. The Ministry of Finance has resigned itself up to now on balancing this deficit and about \$40 million was budgeted for this purpose in the annual economic plan. This year the Ministry of Finance also promised a similar amount on condition that the socioeconomic plan is realized. If the plan is not realized, the Bank of Commerce (Bank Handlowy) will not be able to guarantee payment of LOT's debts. In this situation, the Polish carrier will not be able to become involved in any debts with foreign airlines. The Polish carrier proposed that the State guarantee the enterprise \$40 million in its account at the Bank, and \$15 million to cover current payments due this year for transporting Polish passengers and cargoes on foreign air routes. On the other hand, the enterprise would remit to the State a portion of the surplus (the principle of distributions to be established) to transport foreign passengers and cargoes. For example, if it costs \$100 to fly a Polish passenger to London and \$200 to fly a foreigner from England to Poland, then the difference in outlays and revenues is actually the surplus from which the enterprise desires to create a fund to cover foreign line operations.

In the opinion of the airline authorities, LOT's management of foreign exchange surpluses should be handled in such a way. With regard to financing foreign exchange outlays for transporting domestic passengers and cargoes, the airline authorities (headquartered on Chalubski Street) propose that LOT obtain equivalence in its foreign exchange courts.

The general understanding form which these financing proposals arose can be summarized as follows.

LOT flies on foreign routes and, in association with this, bears foreign exchange costs for fuel, landing fees, services and so forth. To function, it must have funds to cover these costs. But neither LOT nor the airline authorities can demand payments in foreign exchange from Polish customers; it is a matter of State policy as established by the principles in this area. For the carrier it is not important who remits money to its account: the bank, the institution delegating the worker or the customer it transports. The only thing that matters is that the money be in the account. Outlays are diminished when we use our own lines and increased when the services of foreign carriers are used. With regard to this, enterprises, institutions and private customers should interest themselves in the services of the Polish carrier.

Financing the operation of the domestic lines creates problems of another nature. LOT covers 80 percent of its domestic line costs. Revenues would equal outlays if, along with unchanged tariffs, traffic increased 3 to 4-fold. The fixed costs to maintain the domestic network represent a large burden (regular flights have been resumed to Gdansk, Koszalin, Slupsk, Szczecin, Poznan, Zielona Gora, Wroclaw, Katowice, Krakow and Rzeszow; the Bydgoszcz airport has been closed.) The CZLC takes the position that the general policy in the area of goods tariffs will have a significant effect on the future of LOT's domestic routes. Simply speaking, the significant increase in the cost of rail traffic and PKS [State Motor Transport] tickets and the prices of gasoline has increased to demand for

airline services. One should be aware of the fact that the railroad and PKS now cover barely 20 percent of their costs, which means that increased charges for transportation via these means of transportation should be expected (predicted, incidentally) and in effect increase demand for air transport. Among the opinions concerning the possibility of financing costs incurred by LOT's domestic routes, I also heard that instead of limiting expensive fuel it would be more rational to increase prices. Of course, this would make it necessary to increase tariffs. Would there be any customers then? I heard that it is not necessary to expand the airlines at all costs. Tariffs should be determined by the market. On the other hand, discrimination against the carrier should not be allowed. LOT cannot compete with the railroad or PKS.

One can agree or disagree with this viewpoint. The ease with which it is accepted that the citizen's pocketbook can carry any burden placed on it is surprising. Even if it is accepted that "we love to travel" it is well known that we still attach no weight to public transport overlays.

Healing the economy of civil aviation must also be accomplished by improving relations between the carrier and its associated enterprises, such as flight control and airports. LOT's profitability depends on, among other things, such services as airport charges. Airports and flight control are budget items, and thus living on subsidies. The carrier was not concerned up to that time about the small sums of money spent on the infrastructure. Its prerogative, as the one who contributes a share to the State's budget, would be to require that the airport met transport needs. The goal is now to change this status. It is assumed that the carrier will bear the airport service charges, such as is done in many countries of the world. Its profits decrease, but budget subsidies are also reduced. This would initiate an internal clearing of accounts among civil aviation units.

Along with all these more or less advanced attempts to reform the economy of civil aviation, the carrier is pressured by an unfavorable economic situation, and as a consequence the enterprise's potential is limited, including the cadre of specialists who are an important component. Training a competent person to pilot an aircraft on long flights not only costs millions for training but also needs time to accumulate flight hours (an average of 3000 hrs.) before one can fly an airplane over the Atlantic. Very few people know that a pilot who does not fly for a couple of weeks must train before getting behind an airplane's controls again. Thus one must handle this cadre as one does the proverbial egg. None of these concerned economies, even the primitive ones, causes personnel of these airlines to be wasted.

11899

CSO: 2600/800

FINANCIAL PLIGHT OF POLISH OCEAN LINES REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 13 Jun 82 pp 1, 4

[Article by Jerzy Dzieciolowski]

[Text] The Polish Ocean Lines [PLO] is in financial trouble. In relation to this, some newspapers have hastened to report the firm's bankruptcy, ignoring the consequences for trade of such announcements and refusing to take the trouble to explain the reason for this bankruptcy.

The trend is to inform the public that the H. Cegielski Metal Industry Plants are bankrupt, that the STALOWA WOLA Steel Plant is on the verge, that at the POLAR Metal Plants they are packing their bags and that, for the reform to be real, several large enterprises will have to be consumed by it.

Despite all the PLO's troubles, the ships have not suddenly disappeared into the depths of the sea. Ten thousand employees are still working (more or less); those workers who are "going bananas" somewhere at sea are trying to keep the enterprise operating the best they can. I shall try to establish the real operational state of the Gdynia shipowner, to show the origin of the "shocking discoveries" of the state of PLO finances and to point out where the enterprise is to blame and where things are out of its hands.

An Outline

Let me briefly explain the situation. There are 167 ships sailing under the PLO colors, including 4 container ships that are the joint property of a Polish-French shipping company. The ships that are the property of the PLO have a combined cargo capacity of over 1.1 million tons. Last year, the liner fleet transported nearly 5 million tons of cargo, netting the shipowner 27.5 billion zlotys in freight income.

The four Polish-French company ships in use by the PLO (which are con-ro ships with a horizontal and vertical system of loading, each ship having a cargo capacity of 22,600 tons) are among the largest and most modern ships in the Polish liner fleet. They serve the North American line.

The MS INOWROCLAW is a ship for guests and Sejm deputies from the Commission for the Maritime Economy and Shipping, to show them how things should be.

The INOWROCLAW, a ro-ro ship, is the first ship in the Polish liner fleet; that is, as the description states, "fully adapted to the modern high-production technologies of transporting and transferring cargo, as well as the requirements of the European short-range liner shipping market." This ship, which has a cargo capacity of 7,203 tons, transported nearly 200,000 tons of cargo in 100 voyages (it made its hundredth voyage at the beginning of May). It also carried 2,000 passengers, which is something of a record, considering that this ship has 12 places for passengers. Not even martial law disrupted the use of the passenger places.

However, most of the PLO fleet is very old and uses conventional methods of loading and unloading goods. Consequently, various methods are used to meet the requirements of an increasingly important container ship market in international transport services. For example, semicontainer ships have been sent to the ports of East Africa and the Red Sea, where containerization as a method of goods transport is in its initial stages.

How This Works

Industry in-process is indispensable for the Gdynia shipowner. In other words, the PLO depends on transporting Polish foreign-trade cargoes that are the product of processing industries. The growing decline in industrial production has caused a basic problem for the PLO--how to survive the coming years with a limited mass of phz [Polish foreign trade] cargoes and how to fall as little as possible from its place on the international transport market.

The strategy adopted by the PLO last year consisted, on the one hand, of acquiring for transport enough cargoes of foreign clients to cover all the foreign-exchange costs of the enterprise and, on the other, of limiting costs. Three-fourths of the general costs of the enterprise (the ships' water and fuel supplies, canal fees, port charges and the like) occur abroad and must be paid in convertible currencies. The possibility has also been cut off for drawing against the Trade Bank account (PLO's agent for dealing with foreign contractors). The bank has informed the shipowner that the domestic payments situation is such that it must manage without the assets in its account.

Efforts have been stepped up for finding cargoes for PLO ships to transport between foreign ports. Due to the especially great decline in the number of cargoes on European lines (and because of the short distances, one cannot count on foreign cargoes here), these lines have been transformed into delivery services of the ocean lines, which has rationalized foreign-exchange outlays. The four ships have been used on a permanent basis to transfer cargoes between Valencia (largely thanks to the efforts of the PLO trade representative in Valencia) and Libyan ports, as well as between Hamburg and Amsterdam and between Monrovia and Lagos. Some ships and some container ships not currently in use have been leased to foreign carriers. The opening of semicontainer ship services to the ports of the Persian Gulf and to the Red Sea not only has enabled us to rely awhile on these lines to compete with the more modern ships of other carriers but also, by replacing old ships with new ones, has created opportunities for greater profits from freight. In order to save money, service to the American Great Lakes has been suspended.

Likewise to cut costs, the conventional Szczecin-Hamburg line has been suspended. Seven of the most outmoded, least cost-effective ships have been sold or cut up for scrap.

All these endeavors that have somehow enabled the PLO to survive the year 1981, afford no guarantee that it will balance its income with its outlays this year. This is due to several reasons.

What Has Changed?

A real revolution has occurred in producer and services costs. For example, repair shipyards ask 100 percent more from the shipowner for repairs. In 1981, the cost of repairing PLO ships was approximately 900 million zlotys. This year, it is expected that costs will exceed 2 billion zlotys for the same scale of repairs (34 capital repairs, 115 average repairs). The cost of port charges, energy, engineering materials, agency costs and the like have increased similarly. The share of phz cargoes in general transport is declining. This reduces income, since the average freight rates for these cargoes are higher than for other cargoes.

The conversion of PLO income at an exchange rate of 80 zlotys per dollar (in the payments II area) has affected its finances especially severely. The cost increase on this score over last year is more than 10 billion zlotys.

A conversion factor within the range of 100 zlotys per dollar would have eliminated the problem of balancing the budget and acquiring the funds for indispensable needs, according to the enterprise. A dollar in exchange for 100 zlotys is not a bad result. This year the enterprise will incur 75.8 percent of its costs outside the country. We must bear these costs, however high. We do not stop going through the Kiel and the Suez Canals because of increased canal costs. We must pay whatever the going rate is for loading and unloading, for the wharf, for pilotage and for the tugboat. There is no discussion here--the rates must be paid.

The shipowner has no impact on an increase in these costs. When the rate is established at which the shipping enterprise is paid for the dollars that it earns, this fact cannot be taken into consideration.

The situation on the international shipping market has changed radically for the worse. It is hard to get cargoes (and especially hard for Polish shipowners for political reasons and because of the suspension of all types of credit for Polish purchases by many countries). Freight rates are not the best and prices for used tonnage are so low that they prevent the sale of ships designated for removal from service. It is not so simple to compensate for higher costs with income from the transfer of cargoes between foreign ports. Aside from everything else, this may dry up as a source of foreign-exchange. Others like to make money too. The world of carriers, like every other world, is divided into spheres of influence. One does not take on a cargo in any amount. There are certain binding principles that it usually does not pay to transgress, since no respected stevedore will work with a

"pirate." It is the same with freight charges. One cannot reduce them below the limit, because this is punishable. This had to be clarified, since on the domestic market we have the complete freedom to establish prices for services without any sort of connection with real costs. The PLO cannot pass on these costs on the international market, which somehow escapes the attention of the creators of our financial principles.

The modern ships brought into the North American line are a major source of costs in the PLO budget. When they have cargoes, they bring in profits, but when they do not transport the amount of goods they are designed to carry, their maintenance is costly.

The group of costs on which a shipowner can have an impact centers around the efficiency of the ships. However, there are no reserves to allow a reduction in these costs. The loading of containers onto old ships with the use of a floating crane, which happens due to the lack of other possibilities, is not the most economical method. These are the consequences of having an aging fleet and of not adapting conventional ships to the requirements of modern trade imposed by the technically developed rich Western countries, which try to save on expensive labor costs. Concentration is such a universal method of transporting cargo that attempts are even being made to carry coffee in containers; not long ago this was considered a joke. As a consequence, even ports in Africa and India that we thought we could serve with conventional ships for a long time because they would not be ready for containerization have built or are building container bases. Today Bombay reloads more containers than Gdynia. Carriers who do not transport goods in containers are being dropped because the goods require additional handling, thus reducing the carrier's income. Besides this, the goods are subject to damage.

Both domestic and international conditions of our liner fleet's operation are more difficult than formerly. This has engendered doubts about whether we can afford large shippings enterprises, since the prospects for the future are so discouraging.

What Can We Afford?

This is a question that goes beyond the makeup and the developmental potential of the liner fleet and the tramp fleet. In essence it asks whether we can exist economically without maritime export. If we can fund such a developmental model, there is no issue. We can sell what we can, take back what we cannot sell, leave a few "corpses" and direct our transport shipping to Hamburg and Amsterdam. However, if we recognize that in order to live we must export, then let us follow through.

State-owned shipping enterprises save the state nearly \$1 billion annually. It uses this economic knowledge most frequently to note the benefits tied in with having its own fleet. Theoretically, we would have to pay this much to foreign shipowners to transport all of our export from consignees. This is the simple accounting. In practice, the protective function that shipping enterprises play for domestic Polish foreign trade is much more significant.

Our goods are packaged in various ways. While a foreign carrier may want to drop us, a domestic one may give a promotion. By comparison with Amsterdam and Hamburg, Gdynia and even Szczecin are poorly situated. Without membership in shipping conferences, we would have to pay an added fee for the delivery of cargoes to more poorly situated ports. Now we bring in freight charges for long trips as a consignee of cargoes in Hamburg. The fact that the PLO serves 31 regular lines also has an impact upon the rate of freight charges of the international market.

Not only are shipping enterprises the suppliers of foreign-exchange and an instrument for protecting the national balance of payments. They are spokesmen for Polish foreign trade. Its developmental potential and the opinion of trade partners are created both by goods manufacturers and their carriers. For a shipowner to operate normally, he must have the potential for turning around the foreign-exchange that he earns. One cannot treat an enterprise that operates par excellence [sic] on the international market like the PKS [State Motor Transport] or a shoe factory (I mean nothing by this). If a bus slips off the line, it does not make people happy but they continue to ride the bus. A shipowner cannot tell a stevedore that he will be late with the delivery of a cargo because he lacks the foreign-exchange for bunkers. He will not be given any more cargoes.

One cannot be selective about foreign-exchange costs when three-fourths of these costs to the enterprise are borne abroad. Using the same foreign-exchange allowance principle for shoe factories and shipowners is a typically bureaucratic operation. Cutting 30 percent of the personnel of all canvassing agencies demonstrates a lack of understanding. Let the shipowner, and his foreign representative all the more, worry about making money for themselves. Shortening the time that a ship is in port by 2 days enables the payment of one-half the annual costs of the ship's agent abroad. When the trade transport situation is unfavorable, a well-known shipowner invests first in canvassing aggressively, since these costs are minimal compared with the potential benefits.

Since 1979, the PLO has been waiting for permission to purchase a computer to count containers. The PLO already has more than 20,000 containers, dispersed worldwide, some in ports, others on ships and others in repair. An abacus is used to keep a record of them. A computer is available on credit, payable through cargo transfer. Apart from the credit, this establishes contacts on the new transport market. The containers accumulate, it is more and more difficult to keep track of them, and there is still no permission to purchase the computer.

I do not suggest that the shipowner should be excused from general directives. They are of little use if they are not adapted to the reality of maritime shipping activity.

Maritime shipping is big business, regardless of our shipping situation. Conducting big business requires imagination and inspiration. This imagination is lacking. The degree to which the realities of the operation of shipping enterprises are taken into consideration in economic practice will be on its own way a turning point, indicating what we can afford to do to transform the entire economy.

INCREASED WAGES, COST OF LIVING REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 24, 4 Jul 82 p 10

[Article by Ch. M.: "From the Materials of GUS--Living Costs and Wages"]

[Text] According to the GUS [Central Office of Statistics] information on the country's economic situation in May 1982, in April this year, as compared with April past year, the cost of living of workers' families has risen 108.9 percent (in the households of workers employed in the socialized sector, 109 percent); farmers' families, 110.7 percent; pensioners and annuitants, 126 percent. The sharpest rises affected food costs; they rose in the particular groups: 161, 178.4 and 164.2 percent.

The same GUS source informs us that the average wage in the four basic sectors of the material sphere (in industry, construction, transport and communication, and commerce), including compensations for family members, in May this year was 10.625 zlotys. The average wage in industry was 11.336 zlotys, in construction 10.762 zlotys, in transport and communication 9.944 zlotys, and in commerce 8.240 zlotys.

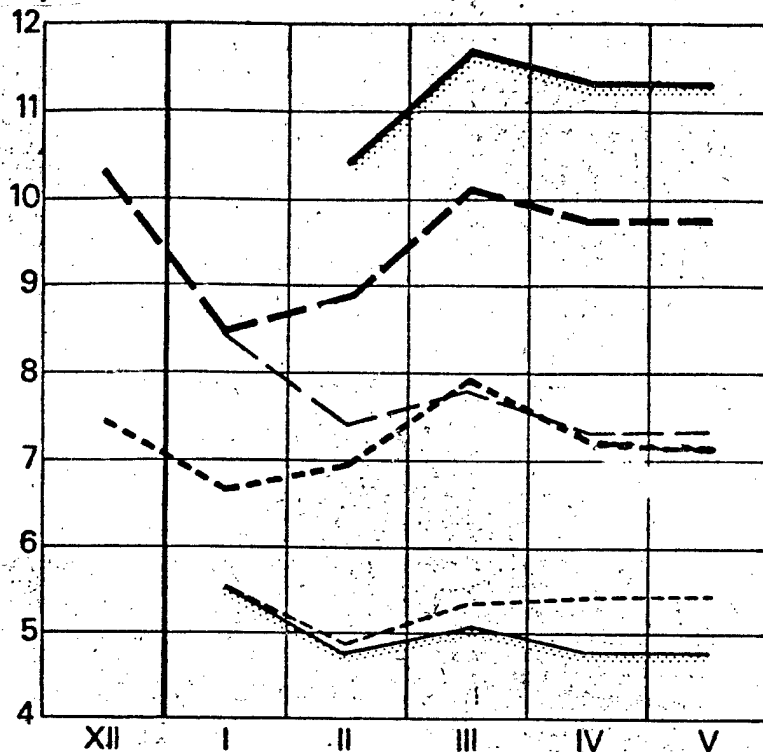
We can also find in the BIULETYN STATYSTYCZNY detailed data on the above wages for the past months and years. Based on this source we have prepared the enclosed table which shows how the industrial nominal wages fluctuated in the period between December 1981-May 1982 and between December 1980-May 1981.

In the table as well as on the graph we have shown the relation of wages to living costs in January this year, in the corresponding months of the past year, and in January 1981.

Incidentally, we would like to stress that we are intentionally avoiding the term "real wage." This problem, among others, we have raised in the article entitled "How to compute real wages" (ZYCIE GOSPODARCZE, No 4, 1982), where we have attempted to prove that real wage factors are not reliable for the purpose of evaluation of people's living conditions, if one is aware that goods and services sought for are not available at the officially enforced prices. The real wages factors computed in a traditional way under these conditions reflect only the relationship of nominal wages to the formally enforced prices; however, they do not characterize the influence of changes

thousands
of zlotys 1981

1982



- wages with compensations
- compared with January 1981 living costs
- - compared with January 1982 living costs
- ... compared with living costs of corresponding 1981 months
- - wages without compensations
- ... 1981 wages

in the availability of goods and services on living costs. When the market is relatively balanced, this problem does not exist.

A similar reservation is also made in relation to the living costs index, understood as not only an "index of prices" but more broadly, as a measure of people's living conditions. We can, therefore, also analyze two interpretations of the living costs index: a more general one that takes into consideration the availability of goods on the market, and one that is more narrow, that treats the living costs index in a traditional way as an "index of prices," regardless of the supply situation. In the further part of this study, the second, i.e., the traditional living costs index formula will be utilized for computation of the ratio of wages to living costs.

Granted all these reservations, we consider it very important to inform our readers about the ratio of nominal wages to prices.

The ratio of the April 1982 average nominal wage to the May 1981 living costs was computed by dividing that nominal wage by the living costs factor mentioned at the beginning of this study, that is 209 percent. Similarly, the ratios of the average nominal wages for the period January to May this year were computed; the particular average monthly wages were divided by the corresponding living costs factors: 153.4 percent in January, 214.8 percent in February, 219.3 percent in March. Since we do not know yet the living costs growth factor for the period May 1981 to May 1982, for the purpose of computing the ratio of May 1982 wages to the living costs in May 1981 we have used the analogous April factor, that is 209 percent.

The ratios of wages to living costs in the particular months of the past year can raise some questions because those ratios are influenced by the growth of living costs during the past year. For example, the April 1981 rise of the prices of alcohol will add several points to the ratio of April 1982 wages to April 1981 living costs, when compared with the analogous figures for the month of March.

<u>Specification</u>		1981	1982				
		<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Factors of living costs growth	to Jan 1982	--	100.0	140.9	150.0	154.8	159.6
	to analogous 1981 months	--	153.4	214.8	219.3	209.0	209.0
	to Jan 1981	--	153.4	216.1	230.1	237.1	244.2
Ratio of wages in specific 1982 months (with compensations for employees) to living costs	Jan 1982 wages	--	8,468	7,398	7,784	7,320	7,103
	analogous 1981 months wages	--	5,520	4,854	5,324	5,422	5,422
	Jan 1981 wages	--	5,520	4,824	5,077	4,779	4,642

In order to eliminate this factor we have also made a comparison of monthly wages in the particular months of this year to the living costs in January of last year. We have applied the following factors of growth of these costs: 153.4 percent for January 1982--January 1981; 216.1 percent for February 1982--January 1981; 230.1 percent for March 1982--January 1981; 237.5 percent for April, and 244.2 percent for May.

In both the table and the graph, the ratio of wages in the particular months of the current year to the January current year living costs is also presented. The following factors of living costs growth were applied: 140.9 percent for February--January 1982; 150 percent for March--January 1982; 154.8 percent for April--January 1982; and 159.6 percent for May--January 1982.

The table and graph illustrate the level of average wages in the socialized industry as a whole. They do not show, therefore, the differences in those wages in the particular subsectors and branches of industry, as well as in various regions, to say nothing about the professions and positions.

In the subsectors and branches where wages were higher, generally they decreased in relation to the living costs to a lesser degree than in those subsectors and branches where they were lower.

An exception is only the construction materials industry with a wage of more than 10,000 zlotys and a decrease of the ratio of wages to living costs by over 30 percent. All the remaining subsectors in which the ratio of wages to prices decreased by more than 30 percent had wages below the 10,000-zloty level.

The ranges between wages in various voivodships have also increased. For example, nominal average wages in socialized industry during the first 5 months, in comparison with the analogous period of the previous year, have risen most sharply: in Katowice Voivodship by 50.8 percent (without compensations) and in Walbrzych Voivodship by 33.4 percent. Less than 20 percent rise occurred in 13 voivodships: Sieradz, Gdansk, Slupsk, Zielona Gora, Lodz, Nowy Sacz, Warsaw Capital Voivodship, Czestochowa, Krakow Metropolitan Voivodship, Ciechanow, Skierniewice, Szczecin, Gorzow, Chelm.

The above differences to some extent result from the subsector structure of industry in the particular voivodships. The growth of average wages in Katowice Voivodship, to give an example, was influenced primarily by the growth of miners' wages.

However, symptoms of reverse interdependence can be noticed too. For example, the average monthly wages in the construction and assembly enterprises during the first 5 months of this year, in comparison with the analogous period of the previous year, have also most sharply risen in Katowice (28 percent) and Walbrzych (31.5 percent) voivodships. The rise of these wages in Piotrkow, Lublin, and Biala Podlaska voivodships was in the 16 to 19 percent range. In the remaining 44 voivodships, wages of workers of the construction and assembly enterprises did not rise more than by 13 percent, in 24 voivodships they rose less than 10 percent.

We would like to analyze these problems more broadly in a separate publication.

9644

CSO: 2600/756

LAW ON COMPENSATION FOR LABOR IN AGRICULTURAL COOPERATIVE UNITS

Bucharest BULETINUL OFICIAL in Romanian Part I No 36, 6 Apr 82 pp 1-16

Law No 1 of 1 April 1982 on the Payment for Labor in the Cooperative Agricultural Units

Text Socialist Republic of Romania

On the basis of Article 57 of the Constitution of the Socialist Republic of Romania, we sign and order to be published in BULETINUL OFICIAL AL REPUBLICII SOCIALISTE ROMANIA Law No 1 of 1 April 1982 on the Payment for Labor in the Cooperative Agricultural Units.

Nicolae Ceausescu,
Chairman
of the Socialist Republic of Romania

Bucharest, 6 April 1982.

Law
on the Payment for Labor in the Cooperative Agricultural Units

The Program of the Romanian Communist Party for Forging the Multilaterally Developed Socialist Society and Advancing Romania Toward Communism establishes as a central objective of the party's agrarian policy the achievement of modern, intensive, highly productive agriculture that uses the newest gains of science and technology. The accomplishment of the new agrarian revolution, the strong growth of the technical-material base and the continual improvement of the production relations in agriculture must provide for the obtaining of higher and higher outputs and, on this basis, in conformity with the principles of territorial self-supply and self-management, the meeting of the consumption requirements of the population and other needs of the national economy.

The cooperative agricultural units, which have the main percentage in our socialist agriculture, have the duty to provide for the continual growth of vegetable and animal production through efficient use of the land and the other means of production, all the material resources and the work force that they have.

The continual raising of the standard of living of those who work in the cooperative agricultural units is directly conditioned by the labor of each cooperator and is achieved in proportion to the growth of agricultural production and the development of public property.

The payment of the cooperators and the other workers in cooperative agriculture must be done in direct connection with the quantity and quality of the labor performed, the output and the incomes achieved and the results obtained in reducing the production costs and in raising the efficiency of the activity in all sectors of the unit, in accordance with its development and economic possibilities.

The principle of socialist equity must be applied steadily in each agricultural cooperative, with a fair ratio between the minimum incomes and the maximum ones being provided.

No one can be paid without performing useful labor that contributes to the achievement of production in the cooperative agricultural unit.

In conformity with the principles of self-management and self-administration, the agricultural production cooperatives have the obligation to provide for the rational management of all material and financial resources, the better organization of production and labor, the reduction of production costs, the continual growth of efficiency and the obtaining of profits that lead to the self-financing of the entire activity.

In planning and carrying out the entire economic and financial activity, the cooperative agricultural units are obligated to provide a continual balance between incomes and expenses, so that each unit may cover its expenses from its own incomes, may obtain profits and may form the development fund and the other statutory funds as well as the means needed for paying the cooperators in accordance with the provisions of the present law.

Payment at the level stipulated in the unit's production plan and income and expense budget is provided to the cooperators, formed into crews, within the farms, brigades and sectors, who fulfill all the tasks that devolve upon them, do the work properly and attain the pledged output without exceeding the expenses connected with it.

The state gives material and organizational help to the cooperative agricultural units so that in each of these units steady action is taken to increase production and labor productivity and continually reduce production costs through full use of the technical-material base and the work force.

At the same time, the payment for the labor of the workers in cooperative agriculture must be done on the basis of the principles and regulations with a general character, applicable to all categories of working people.

With a view to the implementation, in the cooperative agricultural units, of the policy of the party and the state in the field of payment for labor, the Grand National Assembly of the Socialist Republic of Romania adopts the present law.

Chapter I

The General Principles of the System of Payment for Labor in the Cooperative Agricultural Units

Article 1. (1) The continual raising of the standard of living of the cooperators and all those who work in the cooperative agricultural units is directly conditioned by the results of the labor of each one and is achieved in proportion to the growth

of agricultural production and public property and the development of the whole national economy.

(2) The payment for labor in the cooperative agricultural units is done on the basis of the socialist principle of distribution according to the quantity, quality and social importance of the labor performed and in relation to the results obtained by each particular unit in fulfilling the plan for physical output and the income and expense budget.

(3) The payment for the labor of the cooperators is provided, in relation to the fulfillment of the production plan and the incomes stipulated in the income and expense budget, from each unit's own funds obtained by it on the basis of steadily applying the principles of self-management, economic self-administration and self-financing.

Article 2. (1) The consistent and regorous application of the socialist principle of distribution must provide for the material encouragement of the cooperators to increase production and labor productivity and to properly manage and develop public property and the strengthening of the spirit of responsibility and the discipline in labor.

(2) Payment at the level stipulated in the unit's production plan and income and expense budget is provided to the cooperators who fulfill all the tasks that devolve upon them, do the work properly and achieve the pledged output without exceeding the expenses connected with it.

(3) The cooperators cannot be paid without performing useful labor that contributes to the achievement of production in the cooperative agricultural unit.

Article 3. (1) In drawing up the production plan according to crops, the cooperative agricultural units are obligated to provide the areas needed in order to secure the quantities of grain, potatoes, beans and other produce for reaching the targets for delivery to the state supply and meeting the food consumption of the cooperators and the fodder need and for forming the food and fodder reserve fund and the other funds provided by law.

(2) Each cooperative agricultural unit draws up its production plan and income and expense budget, by means of which it determines both the incomes that are to be achieved from vegetable and animal production, small-scale industry and other activities and the material and labor expenditures and other connected expenses, so as to provide for the financing of the production activity from its own resources, the pay fund in relation to the level of output and incomes, the complete recovery of the expenses from the incomes obtained and a suitable profit, from which the economic development fund, the reserve fund, the other statutory funds and the profit-sharing fund are to be formed.

(3) In forming the fund for paying the cooperators in relation to the volume of labor needed for doing the work and to the rates set, the agricultural production cooperatives are also obligated to provide in the income and expense budget a reserve of up to 15 percent in money and in kind.

Article 4. In order to provide the means of payment needed for making the material expenditures and for paying for labor, the cooperative agricultural units are

obligated to completely achieve their planned physical output and to contract for vegetable and animal agricultural products, for delivery to the state supply, at least at the level set by means of the plan for development of agriculture and the food industry in territorial form.

Article 5. (1) The cooperative agricultural units must ensure participation in labor by the cooperators and all the other inhabitants fit for work in the villages and communes, including those who work in other sectors of activity.

(2) With a view to reducing the expenses and sensibly using the pay fund, the cooperative agricultural units will take steps to reduce to the bare minimum the personnel who do not work directly in production.

Article 6. (1) In the allotment of the pay fund, the providing of a fair ratio between the minimum incomes and the maximum ones will be pursued in each unit, with the principle of socialist equity being firmly followed.

(2) The maximum base pay that a cooperator can receive for reaching the plan targets cannot exceed the income of the similar positions or occupations in the state agricultural enterprises with the same volume of activity, under the same working conditions and with the same results.

Article 7. (1) The elements of the system of payment for the labor of the members of the agricultural production cooperative are:

a) The base pay, in money or in money and kind, established on the basis of rates per labor quota, per unit of product or per 1,000 lei of value of the physical output, which constitutes the main part of the total pay of the cooperators;

b) The pay in the form of profit sharing, in money or in money and kind, for achieving the planned output;

c) The additional pay in the form of profit sharing, in money or in money and kind, for the output achieved above the plan.

(2) An increase for continuous service in the same unit and the same sector of activity can be awarded under the conditions provided by law.

(3) The level of the base pay in the cooperative agricultural units can be set varying according to activities, depending on their importance in the economic and financial development and consolidation of the cooperative, in accordance with the decision of the general assembly.

(4) Within the activities, the pay varies according to categories or groups of work, in correspondence with the degree of complexity of the labor and in relation to the level of training, the degree of responsibility and the length of service.

Article 8. In addition to the pay for the labor performed and the results obtained, the members of the agricultural production cooperative also benefit from the state's consumption fund for education, health care and culture, from pensions, material insurance in case of a temporary work disability and childbirth, and aid for families with children, and from the other social rights, under the conditions set by law and

by the Statute of the Agricultural Production Cooperative. They also benefit from suitable labor-protection conditions, in accordance with the law.

Chapter II

The Organization of Production and Labor in the Agricultural Production Cooperatives

Article 9. (1) The activity in the agricultural production cooperative is achieved through the labor of its members.

(2) With a view to completely using the land, increasing the agricultural production and raising the incomes of all the members, the agricultural production cooperatives have the obligation to ensure participation in labor by all the members and their family members, so that at least 60-65 percent of the total population connected with the activity of each cooperative constitutes an active work force and participates in performing all agricultural work in time and properly.

Article 10. (1) With a view to the performance of the agricultural work in optimum periods, the combined state and cooperative agroindustrial councils and the management councils of the agricultural production cooperatives, together with the executive committees or bureaus of the people's councils, will draw up and discuss in the general assemblies work programs that provide for full use of the existing work force, through the participation of all the cooperators in labor, including the pensioners fit for work and the young people. The pensioners who cannot participate in the performance of all agricultural work and the pupils of the schools in the communes will be trained, in relation to age, to perform work such as the tending of crops, the harvesting of vegetables, fruit and grapes and of medicinal plants, in sericulture, services and other such activities.

(2) In the period of carrying out the agricultural campaigns, all the inhabitants fit for work in the villages and communes, including those who work in industry, construction, trade and other activities, the specialists of any type and their family members are obligated to participate in hoeing and other work of tending the crops and harvesting, transporting and storing the products, irrigation and drainage work, the elimination of excess moisture, the clearing and improvement of natural pastures and meadows and other such actions, in accordance with the approved work programs.

(3) The persons mentioned in Paragraph 2 will perform the labor in crews and will be paid on piecework terms, in relation to the volume of work done.

Article 11. (1) Each cooperator has the obligation to do work of quality, in the indicated places and in the stipulated optimum periods of time, to achieve the number of workdays and the corresponding volume of labor approved by the general assembly of the agricultural production cooperative, and to follow the assigned work program.

(2) The chairmen of the agricultural production cooperatives, the other management personnel, the technical, economic and administrative personnel, and those who work in the cooperatives in the activities of small-scale industry, construction and services will participate directly in the performance of the agricultural work in the peak periods of the agricultural campaigns.

Article 12. (1) In order to ensure participation in labor throughout the year by as large a number of cooperators as possible and gradual growth of the degree of

employment of them up to 300 days per year, the management councils of the agricultural cooperatives are obligated to develop, besides the agricultural activity, the activities of small-scale industry, construction, services and other such, utilizing fully the resources of raw material that each unit has.

(2) In the agricultural production cooperatives in which manpower is available, the management councils are obligated to organize, with the help of the executive committees or bureaus of the people's councils, brigades and crews that may work in other cooperative and state agricultural units, on construction sites, in forest operations and in other activities.

(3) The units in which the cooperators work in accordance with the provisions of Paragraph 2 are obligated to transfer monthly to the agricultural production cooperatives from which they come the pay rights, the associated tax and contribution for social insurance, the share of the common and general expenses, and a share of profit calculated in relation to the sum total of these expenses.

Article 13. The management councils of the agricultural production cooperatives will include in the production plans and the income and expense budgets all work that is done under the conditions of articles 9-12.

Article 14. (1) For rationally using the work force, achieving the agricultural output and raising the labor productivity, in the agricultural production cooperatives production subunits are organized and, within them, work formations are set up.

(2) The production subunits in the agricultural production cooperatives are: the farm, the brigade and the sector, which have their own production plan or, as the case may be, also an income and expense plan, which are an integral part of the production plan and the income and expense budget of the agricultural production unit.

(3) The management council of the agricultural production cooperative allots to each farm, brigade and sector, depending on the type of production, the areas of crops, the vine- and fruitgrowing plantations, the stocks of animals, the tractors and agricultural machines, the other inventory, the quantities of fertilizer, herbicide, fodder, materials and supplies, and the work force needed for achieving the output set.

Article 15. (1) The basic formation in the organization of labor within the production subunits is the mixed crew of cooperators and farm machinery operators, the crew of farm machinery operators or the crew of cooperators.

(2) The organization of labor according to crews has as a purpose the strengthening of the spirit of collective labor and the discipline and the growth of the responsibility of the whole crew and each member of it for fully using the technical-material base, performing in time and with quality the volume of labor set for the entire area or the entire stock of animals and obtaining the stipulated production levels.

(3) In the farms, brigades and sectors in which the production technologies and the degree of mechanization permit the reduction of the work force, the cooperators and farm machinery operators who work directly in production in these subunits are formed into a single crew.

Article 16. (1) The crew is organized with a permanent character, according to fields, strips and animal species and categories, at least for the duration of a

production cycle or calendar year. A "production cycle" means, in vegetable production, the period from the preparation of the ground for sowing or planting to the harvesting, delivery and storage of the output and, in zootechny, the period of production, growth or fattening corresponding to each animal species or category.

(2) The crew's composition and size are set by the assembly of the farm, brigade or sector, respectively, with the approval of the unit's management council, depending on the crop structure, the animal species and categories, the degree of mechanization of the work, the dispersal of the pieces of land, the area of the parcels, the system of exploitation and other such criteria. The crew's size must fit within the limits set by the Ministry of Agriculture and the Food Industry

(3) Areas of crops, vine and fruit-tree plantations, stocks of animals, means of production and materials needed are allotted to the crew, in accordance with the provisions of the production plan of the farm, brigade or sector, and the outputs that must be obtained and the volume of labor that must be performed in accordance with the technologies used are assigned to it.

(4) In vegetable production, the crew has the obligation to do in time and properly the work needed for obtaining the planned output: the preparation of the ground, the sowing, the providing of the plant density throughout the growth cycle, the filling in of bare ground, the tending of the crops, the harvesting, transportation and storage of the whole output achieved and the removal of byproducts from the land. For irrigated crops, the crew has the task of also doing the work of watering and of maintenance and exploitation of the areas set up and the irrigation equipment, for which purpose a permanent group of cooperators can be organized within the crew.

(5) In zootechny, the crew has the obligation to tend and exploit the animals and to obtain the number of offspring and the animal outputs planned. The crew provides for fodder preparation, transportation and administration, manure removal, disinfection and deratization.

Article 17. (1) The crew is run by a crew chief, who actually works in production, appointed by the agricultural unit's management council from the best farm machinery operators in the respective crew or from the cooperators with the most experience and with aptitudes in the organization of labor who have prestige and authority among the members of the crew.

(2) The crew chief has the obligation to ensure the strict observance of order and discipline in production, to verify daily the volume of labor performed by the cooperators and farm machinery operators and the quality of the work done, and to prepare the timesheet for each member of the crew.

(3) The responsibility for doing in time and with quality the entire volume of work stipulated by the technologies and recorded in the work estimates devolves upon the whole crew. In the case in which some members of the crew cannot perform the stipulated volume of labor in the period set, the work will be done, through the good offices of the crew chief, by the other members. The volume of labor performed will be credited to those members of the crew who did the respective work.

Article 18. (1) The obligations that devolve upon the units for providing the technical-material conditions needed for achieving the outputs set, the responsibilities

of the cooperators, farm machinery operators and specialists for doing the entire volume of work in time and following the technologies, and the pay rights are recorded in a pledge concluded by the crew chief with the farm, brigade or sector chief. The farm, brigade or sector chief, together with the chief of the mechanization section, concludes pledges with the cooperative's management. The pledges are approved by the management council of the agricultural production cooperative.

(2) The areas of crops, the animal species and categories allotted, the outputs that must be obtained, the volume of labor, the periods of time when the work is to be done and the pay rights will be stipulated in the pledge. The pledge will be signed by all members of the crew.

(3) For strengthening the responsibility of all members of the crew in the fulfillment and overfulfillment of the outputs stated in the pledge, the management councils and the farm, brigade and sector chiefs have the obligation to verify continually the way in which the work stipulated in the estimates is done, the depth and uniformity of the plowing, the achievement of the plant density per unit of area, the filling in of bare ground, the performance of the amount of hoeing and of the other work of maintenance and disease and pest control, the performance of the work of removing water from land and crops, the harvesting of the entire output on schedule and without losses, and the clearing of the land.

(4) In zootechny, the management councils and the farm and brigade chiefs have the obligation to verify continually the activity done for tending the animals, the process of reproduction and selection and of fodder preservation, preparation and administration, and the way in which the sanitary and veterinary measures are followed, in order to ensure the fulfillment and overfulfillment of the outputs and the populations stipulated in the pledges concluded by each crew.

Article 19. (1) The level of the labor consumption and material expenditures needed for achieving the planned outputs in cooperative agriculture is set annually by means of the sole national plan for economic and social development.

(2) The Ministry of Agriculture and the Food Industry allots according to counties the indicators regarding the labor consumption, the maximum need for personnel according to structure, and the material expenditures, in a manner varying according to technologies for the main crops and animal species and categories, depending on the soil and climatic conditions, within the level set in accordance with Paragraph 1.

(3) In addition, the Ministry of Agriculture and the Food Industry will take steps regarding the improvement of the technologies according to crops and animal species and categories and regarding the periodic revision of the labor and consumption quotas, with a view to reducing the labor expenditures and the material, energy and fuel expenditures and raising the labor productivity and economic efficiency in the cooperative agricultural units.

(4) The general directorate for agriculture and the food industry allots the indicators regarding the labor consumption and the material expenditures, for agricultural production cooperatives and, aggregately, for the combined state and cooperative agroindustrial council, depending on the concrete conditions in each unit, in a manner varying according to technologies for the main crops and animal species and categories, without exceeding the total level set for the county.

Article 20. (1) In the agricultural production cooperative, the setting of the quotas for the labor performed is done on the basis of the labor quotas devised by the Ministry of Agriculture and the Food Industry together with the National Union of Agricultural Production Cooperatives, in accordance with the criteria and within the limits set by law.

(2) Depending on the nature of the activity, the labor quotas can be set in the form of time quotas, production quotas, concrete tasks with specification of the zones for carrying out the activity, official duties or other types of quotas corresponding to the respective labor.

(3) In the setting of the volume of labor for the work that is done in the agricultural production cooperatives, it will be ensured that many work operations stipulated in the technologies are included in the same quota, so that each cooperator may do as wide a range of work as possible in the sector to which he has been assigned and can work effectively throughout the year in order to obtain constant incomes and ones at a higher and higher level, in relation to the quantity and quality of the labor.

Chapter III

The Payment for Labor in the Agricultural Production Cooperatives

1. The Forms of Payment for Labor

Article 21. (1) The main form of payment for labor in the agricultural production cooperatives is the overall contract system, with a rate per unit of product or per 1,000 lei of value of the physical output obtained or of the services performed, respectively.

(2) Within the form of payment under the overall contract system, a crew, farm, brigade or sector assumes the obligation to achieve a certain output of grain, technical crops, vegetables, fruit, meat, milk, eggs or wool or another output set in physical units, for which the pay due is set overall, in money or in money and kind, and is provided in proportion to the physical output achieved and the compliance with the expenses, the schedules and the other conditions stipulated in the pledge, without being limited.

(3) The form of payment under the overall contract system provides for the strengthening of the responsibility for the achievement of the planned outputs and profits, the continual growth of labor productivity, the reduction of the material and labor expenditures per unit of product and, on this basis, the growth of the incomes of the cooperative and the cooperators.

Article 22. (1) In the agricultural production cooperative, it is also possible to use, under the conditions of the present law, the following forms of payment:

a) On direct piecework terms;

b) Out of overhead;

c) On the basis of percentage quotas of the output or its value for some crops.

(2) The payment on direct piecework terms is done on the basis of a rate per unit of product, per job or per 1,000 lei of value of the output, in proportion to the

quantity of products, jobs or other physical units achieved, and is applied to the work that, due to the specific conditions in which it is done, cannot be brought under the overall contract system, such as some activities of small-scale industry and services, some agricultural work in the peak periods and other activities in which the measurement of the labor is done individually on the basis of quotas.

(3) The payment out of overhead is applied only in the cases provided by law, on the condition of the complete fulfillment of the official duties in a certain unit of time.

(4) The payment on the basis of percentage quotas of the output or its value can be applied only in exceptional cases, when conditions for payment on piecework terms do not exist, for natural and sown meadows, beans, pumpkins, melons, vegetables and other products in companion crops, including in fruit-tree and vine plantations, the cutting and gathering of stalks, sugar-beet root necks, straw, runners and fodder from double crops, depending on the specific character of each cooperative. The percentage quotas and the conditions for awarding the pay are set by the Ministry of Agriculture and the Food Industry, together with the National Union of Agricultural Production Cooperatives.

Article 23. (1) The forms of payment for labor are approved by the general assembly of the agricultural production cooperative, at the proposal of the management council, depending on the specific conditions of each unit and sector of activity, there being provided the correlation of the pay fund with the level of the output and the incomes stipulated in the production plans and the income and expense budgets.

(2) The form of payment on the basis of percentage quotas is approved by the cooperative's general assembly, with the advice of the general directorate for agriculture and the food industry, at the proposal of the combined state and cooperative agroindustrial council.

Article 24. (1) The agricultural production cooperatives that have isolated, hard-to-reach pieces of land that cannot be combined and worked by machine can allot this land, for cultivation, to the cooperators for a period of 3-5 years. In this case, the payment for labor is done in kind, in a proportion of 50 percent of the output obtained, on the condition of the complete recovery of the expenditures made by the cooperative and of the achievement of a profit of at least 5 percent.

(2) The land that can be allotted in accordance with Paragraph 1 and the level of the pay in kind are established by the general assembly, with the approval of the general directorate for agriculture and the food industry and the county union of agricultural production cooperatives, at the proposal of the combined state and cooperative agroindustrial council.

2. The Rates of Pay per Labor Quota

Article 25. (1) The labor performed in the cooperative agricultural units is remunerated with rates per labor quota, varying according to four groups of complexity and production sectors, as follows:

<u>Production Sector</u>	(lei per labor quota) <u>Group of Complexity of the Work</u>			
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
Vegetable production	40	48	46	65
Animal production	50	60	70	80

(2) The agricultural cooperatives that attain high outputs and incomes can apply the rates provided for all four categories of work.

(3) The agricultural production cooperatives that do not have conditions for completely forming the necessary pay fund will apply the rates provided for groups I and II, with the rates corresponding to groups III and IV also coming to be applied in proportion to the growth of their economic power, the outputs and the incomes.

Article 26. (1) In the course of doing the work, the rates of pay per labor quota provided in the production plan and the income and expense budget can be raised or lowered, as follows:

a) In vegetable production, in relation to the providing and maintenance of the standardized plant density up to harvesting, with the obligation to fill in bare ground, do the amount of hoeing and the other work of maintenance and disease and pest control, apply the watering on irrigated areas and do the work of removing water from crops, and harvest and clear the land on the dates set;

b) In zootechny, in relation to the compliance with the animal-tending standards, the achievement of the populations, the birth rates and the outputs planned, and the preservation of the health of the animals.

(2) The raising of the rates beyond the limits indicated in Article 25 can be done by the cooperatives that obtain high outputs and incomes, but without exceeding the level of the rates set for the state agricultural enterprises.

Article 27. In the agricultural production cooperatives, the cooperators or other worker personnel who work permanently and directly in zootechny, achieve the prescribed volume of work in accordance with the labor quotas for the state agricultural enterprises, tend the same number of animals or poultry, provide for the feeding and tending of the animals and the preservation of their health without departing from the zooveterinary standards, and obtain the outputs of milk, meat, eggs, wool, offspring and other animal products stipulated by the plan can have the pay levels set by law, under similar working conditions, for the personnel of the state agricultural enterprises.

3. The Payment for the Labor of the Cooperators Who Work in Agricultural Production

Article 28. (1) The payment for the labor of the cooperators who work in agricultural production is done, in a generalized fashion, under the overall contract system.

(2) The rates of piecework pay per unit of product or per 1,000 lei of value of the physical output are set by the general assembly of the agricultural production cooperative, on the basis of the volume of labor in the work estimates for each crop,

animal species or category and other activities, of the rates of pay per labor quota and of the output or its value expected to be achieved, within the limit of the planned pay fund.

Article 29. (1) The pay is given to the cooperators on the basis of the rates, in proportion to the volume of labor actually performed, the output obtained by the whole crew and the material expenditures allotted, on the condition of performing in the prescribed periods all the work stipulated in the technologies and the entire volume of labor recorded in the work estimates, as well as other work required by the natural conditions.

(2) For the crop or the animal category for which the output stipulated in the pledge, under the overall contract system, has been reached or exceeded by the whole crew, the rights due the members of the crew are awarded in accordance with the results obtained for the respective crop or animal category.

(3) Within the crew, the payment for labor can also be done varyingly according to the cooperators who make up the work formation, for each crop or animal category, on the condition of doing all the work in time and with quality and achieving the output pledged by the whole crew.

(4) The payment of the farm machinery operators in the crews of farm machinery operators and in the mixed crews of cooperators and farm machinery operators and of the personnel in the machine sector, employed at the agricultural mechanization station, is provided from this unit's pay fund, and that of the cooperators is provided from the pay fund of the agricultural production cooperative.

(5) The provisions of paragraphs 2 and 3 are also applied accordingly for the payment of the cooperators who work in farms, brigades and sectors who are formed into a single crew.

Article 30. The cooperators trained in the occupations of chauffeur, truck-tractor driver, fitter, welder, electrician and others can be paid on piecework terms or out of overhead, with the approval of the general assembly, up to the level of the pay set for the similar occupations in the state units, on the condition of doing work of the same volume and complexity, without exceeding--in the case of payment out of overhead--the pay of the position of chairman.

4. The Payment for the Labor of the Cooperators Who Work in the Activities of Small-Scale Industry, Construction and Services

Article 31. The payment for the labor of the cooperators who work in the activities of small-scale industry, construction and services is done under the overall contract system or on direct piecework terms, with a rate per job, per unit of product or per 1,000 lei of value of the output, rates that are determined on the basis of the standards devised in accordance with the law.

Article 32. (1) The cooperators who work in the activities of small-scale industry, construction and services can be paid, under the conditions of Article 189 of Law No 57/1974, on the basis of the rate systems in the state or local-industry units of a similar type and complexity.

(2) The inclusion in the rate systems and the level of the pay that can be given to the cooperators in accordance with Paragraph 1 are approved by the general assembly of the agricultural production cooperative, with the advice of the general directorate for agriculture and the food industry.

5. The Payment of the Cooperators Who Hold Technical, Economic and Other Specialized Leadership and Operational, Administrative, Service and Watch Positions

Article 33. The base pay for the cooperators who hold the position of chairman is set at a level representing at most up to 2.5 times the average income achieved by the cooperators who work directly in production and perform the volume of labor approved by the general assembly and in relation to the value of the physical output planned and the size and complexity of the unit, in accordance with Appendix 1.

Article 34. The level of the base pay for the other technical, economic and other specialized leadership and operational, administrative, service and watch positions is set in relation to the average annual income achieved by the cooperators who work directly in production and perform the volume of labor approved by the general assembly and in relation to the value of the physical output planned and the size and complexity of the unit, without exceeding the limits set for the base pay calculated for the position of chairman, in accordance with Appendix 2.

Article 35. The payment of the cooperators who hold technical, economic and other specialized leadership and operational, and administrative positions is done under the overall contract system, with a rate per 1,000 lei of value of the physical output, both for the personnel with duties at the level of the agricultural cooperative and for those with duties at the level of the farm, brigade and sector.

Article 36. In the case of overfulfillment of the physical output pledged under the overall contract system, the overall-contract-system increase due the chairman, the chief engineer, the chief accountant and the farm chief, paid by the state, is awarded by the agricultural production cooperative.

Article 37. The cooperators who hold the positions of watchman or watchman-attendant are paid out of overhead.

Article 38. The pay rights for the personnel who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions are awarded on the condition that they do, in relation to the unit's size and complexity, agricultural work representing 25-50 percent of the volume of labor set for the cooperators who work directly in production, in accordance with the decision of the general assembly, without receiving for this work separate pay from that due for the position held.

Article 39. (1) For holding the position of chairman, vice chairman gotten from production, farm chief or brigade chief, the cooperative members who are not paid by the state receive from the state a monthly allowance of:

420-520 lei for production;

210-260 lei for the other positions.

(2) The amount of the allowances is set by the general directorate for agriculture and the food industry and the county union of agricultural production cooperatives, taking into account the responsibility that they have in properly organizing production and labor, doing the agricultural work at a suitable level, applying the agricultural and zootechnical measures, in order to increase vegetable and animal production, and fulfilling the obligations to the state supply, and the unit's grade of organization.

(3) The allowance is awarded only for the time actually worked.

(4) In the case of nonfulfillment of the targets set monthly, the bodies mentioned in Paragraph 2 can decide to reduce the allowance.

6. The Manner of and Conditions for Awarding the Pay

A. The Formation of the Pay Fund and the Profit-Sharing Fund

Article 40. The payment for labor in the agricultural production cooperatives can be done in money or in money and kind.

Article 41. With a view to awarding the pay, the agricultural production cooperatives form the pay fund and the profit-sharing fund, in money or in money and kind.

Article 42. (1) The total pay fund for the cooperative, in money and in kind, is set annually on the basis of the output and the incomes expected to be achieved, without exceeding the material expenditures set, so as to provide for the level of the stipulated pay rates and a reserve of up to 15 percent.

(2) The total pay fund, in money and in kind, is allotted according to farms, brigades and sectors and, within them, according to crews, depending on the structure of the crops and of the animal species and categories and on the volume of labor and of material expenditures stipulated in the work estimates, in accordance with the technologies established.

Article 43. The part in kind of the base pay and of the share of profits within the plan is set within the limit of the quantities of grain--wheat and corn--that are to be given to the cooperators and their family members, for food consumption, in accordance with the territorial self-supply program, and of the quantities of corn for feeding the animals and poultry on the personal farm, set by means of the present law.

Article 44. (1) For determining the pay fund, the aid fund and the fund for sharing the planned profit, in kind, the planned physical output is allotted in the following order:

- a) The payment in kind for the work done by the agricultural mechanization stations;
- b) The repayment of the loans received in kind;
- c) The formation of the seed supply;
- d) The delivery of the contracted quantities to the state supply;

- e) The formation of the fund for payment in kind;
- f) The formation of the fodder supply, in the stipulated quantities, both for the zootechnical complexes and for the household farms, while complying with the planned deliveries to the feed mills;
- g) The formation of the reserve fund for food consumption and for fodder;
- h) The formation of the fund for aid in kind, for pensioners and other persons unfit for work;
- i) The formation of the fund for sharing profits in kind.

(2) At the same time, in drawing up the plan and allotting the planned output in kind, the agricultural production cooperatives have the obligation to provide, in relation to the number and species of animals and the consumption quotas set, the bulk fodder required both for their own needs and for the cooperators who have animals, as well as a reserve that amounts to 25-30 percent of the annual consumption need.

Article 45. (1) The profit in money and in kind stipulated in the income and expense budget of the agricultural cooperative is allotted for:

- a) The economic development fund, at least 70 percent, which represents 18 percent of the net output;
- b) The fund of circulating funds, up to 5 percent;
- c) The sociocultural and sports fund, up to 1 percent;
- d) The food and fodder reserve fund, in grain, up to 7 percent;
- e) The intercooperative mutual-aid fund, up to 2 percent;
- f) The fund for sharing profits with the cooperators and the other working people, up to 15 percent.

(2) The fund for sharing profits for the social part of the monetary deposits of the cooperators, farm machinery operators and specialists in the fund for economic development of the cooperative is also formed from the profit obtained by the agricultural production cooperative. The formation and utilization of this fund are done in accordance with the law and the Statute of the Agricultural Production Cooperative.

(3) The cooperative's management bodies and all the cooperators have the duty to completely and efficiently use the means of production, to sensibly manage the material and financial resources, to obtain the optimum financial results and to completely cover the expenses from their own incomes, providing for the performance of a profitable activity that permits suitable sums to be allotted each year, mandatorily, to the economic development fund from the profit obtained, with a view to resuming the production process on a wide scale.

Article 46. The profit that is achieved by the agricultural production cooperative above that set by means of the plan, in money and in kind, is allotted for:

- a) The economic development fund, 25 percent;
- b) The supplementation of the fund for sharing profits with the cooperators and the other working people, 50 percent;
- c) The food and fodder reserve fund, in grain, potatoes and other products, 22 percent;
- d) The sociocultural and sports fund, 3 percent.

Article 47. (1) The physical output obtained above the plan for wheat, corn, potatoes and bean seeds is allotted in a proportion of 30-35 percent for delivery to the state supply, 15-20 percent for the food and fodder reserve fund and 45-55 percent for additional payment in kind for the cooperators and the other working people, in the form of sharing the profits obtained above the plan.

(2) Up to 60 percent of the physical output obtained above the plan for barley is allotted for additional payment in kind for the cooperators and the other working people, in the form of sharing the profits obtained above the plan.

B. The Awarding of the Pay in Money

Article 48. (1) During the year, the agricultural production cooperative gives monthly to the cooperators advances from the pay in money approved by means of the production plan and the income and expense budget, as follows:

a) In vegetable production, the advance is 80 percent and is awarded only on the condition of doing in time and with quality all the work stipulated in the technologies and recorded in the estimates, providing the optimum plant density per unit of area, doing the amount of hoeing and the other work of maintenance and disease and pest control, doing the work of removing water from crops and the watering on irrigated areas, harvesting and clearing the land on the dates set. The advance is calculated in proportion to the number of labor quotas filled. In the case in which, during the year, the general directorate for agriculture and the food industry, together with the contracting enterprise, the branch of the Bank for Agriculture and the Food Industry and the cooperative's management, finds that the state of growth of the crops does not ensure the achievement of the output stipulated in the pledge, the advance is reduced below 80 percent and is to be awarded in proportion to the foreseeable degree of achievement of it;

b) For the cooperators who work in zootechny, for the animal species and categories for which the fulfillment of the production plan is known monthly--cow's and ewe's milk, eggs, offspring and stocks of animals--the advance is 90 percent of the rate of pay set, in proportion to the output or the value of the output achieved in the respective month and to the number of days worked;

c) For the cooperators who work in zootechny, for the animal species and categories for which the output or its value is known at the end of the production cycle, the advance is 90 percent and is awarded on the condition of doing the tending work, achieving the populations and preserving the health of the animals. The advance is calculated in proportion to the number of quotas filled. If during the production cycle the general directorate for agriculture and the food industry, together with

the contracting enterprise, the branch of the Bank for Agriculture and the Food Industry and the cooperative's management, finds that the output pledged under the overall contract system will not be completely attained, the advance is reduced below 90 percent and is to be awarded in proportion to the foreseeable level of attainment of the output;

d) For the cooperators who work in the activities of small-scale industry, construction and services, the advance is 80 percent and is awarded in proportion to the number of labor quotas filled or days worked, respectively, and to the fulfillment of the production targets for the respective month. In the case in which, during the production cycle, it is found that the pledged output will not be completely attained, the advance is reduced below 80 percent and is to be awarded in proportion to the foreseeable level of fulfillment of the plan;

e) To the cooperators who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions, with duties in the whole cooperative or in a farm, brigade and sector, advances of up to 80 percent of the pay due for the period in which they have worked are awarded, in relation to the attainment of the output, the compliance with the planned production costs, the making of the deliveries to the state supply and the fulfillment of the other plan targets set for the respective month.

(2) The cooperators who serve certain production sectors receive monthly advances in relation to the number of days or labor quotas actually achieved, respectively, under the same conditions as the cooperators in the respective sector.

C. The Awarding of the Pay in Kind

Article 49. During the year, after the harvesting of the products, advances of 50 percent of the pay rights due in kind are given to the cooperators.

Article 50. The quantities of grain--wheat and corn--for food consumption, at the level stipulated in the self-supply program, are provided on the condition of participating in labor, performing the tasks set by the general assembly and achieving the outputs set. These quantities will be reduced proportionally, down to zero, for the persons who do not do the work established by means of the work programs.

Article 51. (1) Under the conditions of the attainment of the planned output, it is possible to allot the following quantities of wheat and corn:

a) Some 180 kg of grain per person for food consumption, to the cooperators who work in the agricultural production cooperative and to each family member supported by them, from the pay fund and from the fund for sharing profits within the plan. Within the 180 kg of grain, the ratio between the quantities of wheat and corn is set in each agricultural production cooperative, with the agreement of the cooperative members.

In the case of nonfulfillment of the production plan, the quantities of grain are reduced proportionally, but not below 160 kg per person, on the condition of having performed the volume of labor set by the general assembly.

The pensioners who do the work stipulated in the approved work program receive, from the pay fund and as profit sharing, the quantities of grain for food consumption under the conditions set for the other cooperators.

The pensioners and other cooperators unfit for work and the orphan children receive grain for food consumption from the aid fund, within the limit of the quantities approved by the general assembly for this fund, with the difference up to the food consumption set being provided at cost;

b) Up to 300 kg of corn per person for fodder, to the cooperators who work and achieve the volume of labor set by the general assembly, and up to 100 kg of corn for each family member supported by them, from the pay fund and the fund for sharing profits within the plan.

The pensioners who do the work stipulated in the approved program receive, from the pay fund and as profit sharing, up to 100 kg of corn for the feeding of animals.

The pensioners and other cooperators unfit for work and the orphan children receive up to 50 kg of corn per person for the feeding of animals, from the aid fund, and up to 50 kg of corn per person at cost.

(2) For exceeding the planned grain output, the agricultural production cooperatives award completely, as additional pay from the fund for sharing profits above the plan, to the cooperators who have achieved the volume of labor set by the general assembly, the quantities of wheat, corn and barley from the funds for additional payment in kind, formed in accordance with Article 47.

Article 52. The quantities of grain achieved over the plan that are to be distributed as additional pay in the form of profit sharing can be utilized by the cooperative, with the approval of the general assembly, for the state supply. The sums thus obtained will be distributed totally to the cooperators.

Article 53. (1) The pay in kind is awarded from each agricultural cooperative's own output.

(2) The agricultural cooperatives that do not grow grain or cannot provide from the planned output the quantities of grain due the cooperators who work, the family members supported by them, and the other persons provided by law, will receive from the state supply the quantities needed for the food consumption set by means of the self-supply program, on the condition of turning over other products--potatoes, beans, fruit, meat, milk and so on--through an equivalent exchange or, in exceptional cases, for payment in money, from the pay rights, on the condition that the unit delivers to the state supply the contracted products that it achieves in accordance with the specific character.

(3) In special situations, when, due to natural disasters, some agricultural cooperatives cannot cover, from the grain output obtained, the food consumption needs set in accordance with the self-supply program, they will receive from the state supply the difference in necessary products, through an equivalent exchange with other products on in the form of a loan that is to be repaid from the next year's harvest.

Article 54. (1) The agricultural production cooperatives can sell grain only to the state.

(2) The agricultural production cooperatives can provide, at cost, the quantities of grain mentioned in Article 51 for pensioners and other persons unfit for work and for the cooperators who work in the units that apply the payment for labor only in money, for the unit as a whole or for certain sectors.

D. The Awarding of the Pay Rights at the End of the Year

a) The base pay

Article 55. (1) The total pay fund is determined at the end of the year, after the completion of the balance sheet, on the basis of the physical output and the profit achieved by the cooperative as a whole.

(2) The difference between the advances received during the year and the total pay rights is awarded from the pay fund achieved.

(3) For the cooperators who work in production, the total pay rights are calculated according to crews, brigades, farms and sectors, depending on the level of the output attained, without exceeding the connected production costs, by each particular sub-unit or work formation.

(4) For the cooperators who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions, with duties in the whole cooperative or in a farm, brigade and sector, the total pay rights are calculated in accordance with the achievement of the value of the physical output and the profits planned, of the deliveries to the state supply and of the other plan targets set for the respective year, for the entire unit or for a subunit, as the case may be.

Article 56. (1) For the cooperators in the crews that have reached or exceeded the planned output, the total pay rights are established on the basis of the rates put in the pledge.

(2) For the cooperators in the crews that have not achieved the planned output, the total pay rights are established on the basis of the recalculated rates, depending on the pay fund achieved, less the sums given to the cooperators mentioned in Paragraph 1.

Article 57. In the case in which the agricultural production cooperative cannot provide completely the part in kind of a rate, for other products than those established for food consumption, the difference, calculated at the contract price for the respective vegetable products, is awarded in money.

b) Profit sharing

Article 58. The fund for sharing the profits obtained within the plan and above the plan is awarded completely to the cooperators and the other working people on the condition of achieving the value of the physical output and the deliveries to the state supply. In the case of nonfulfillment of these indicators, the total profit-sharing fund is reduced by 1 percent for each percent of nonfulfillment of the plan for each of these indicators, but not by more than 25 percent in all.

Article 59. The cooperators and the other working people in the agricultural production cooperative share the profits obtained within the plan, in proportion to the contribution made to achieving the output and the profits.

Article 60. (1) The cooperators and the other working people in the work formations that have exceeded the outputs set by means of the pledges and have stayed within the level of the connected expenses receive for each crop and animal species additional pay in the form of sharing the profits above the plan.

(2) The cooperators and the other working people who hold technical, economic and other specialized leadership and operational, administrative, service and watch positions can receive additional pay in the form of sharing the profits obtained above the plan, in the unit as a whole, on the condition of the fulfillment and overfulfillment of the physical outputs for the main agricultural crops and animal species, set at the start of the year by the general directorate for agriculture and the food industry, depending on the specific conditions in each unit.

Article 61. (1) The individual rights due the cooperators and the other working people from the fund for sharing the profits obtained within the plan and over the plan are established by the management council, in relation to the contribution made to achieving the output and the profits and developing the agricultural production cooperative, and are approved by the general assembly.

(2) The individual rights in the form of profit sharing due the cooperators and the other working people who work directly in production are not limited. For the persons mentioned in Article 60, Paragraph 2, these rights cannot exceed 2.5 times the average individual rights due the cooperators who work directly in production.

(3) The general assembly can reduce or not award the profit-sharing quota for the cooperators and the other working people who, during the year, had deficiencies in the activity or committed disciplinary infractions.

Chapter IV

The Organization of Production and Labor and the Payment in the Intercooperative Economic Associations

Article 62. (1) The activity in the intercooperative economic associations is achieved through the labor of the members of the associated agricultural production cooperatives.

(2) The production subunits in the intercooperative economic association are the farm and the sector.

(3) On the production farms and in the sectors of activity in the intercooperative economic associations the labor is organized according to crews of cooperators and agricultural mechanics or only of cooperators, formed for the period of at least a production cycle or calendar year.

(4) The crew is run by a crew chief appointed by the working people's council of the intercooperative economic association.

(5) The crew gets from the farm chief an area of land or, as the case may be, stocks of animals, with the shelters and the other means needed for doing the work and achieving the output.

Article 63. (1) The crew's size is set by the working people's council, depending on its type of activity and the specific conditions in which it works. The crew's size must fit within the limits set by the Ministry of Agriculture and the Food Industry.

(2) The main obligations and the responsibilities that devolve upon the crew, farm and sector are recorded in a pledge concluded between the farm or sector chief, respectively, and the crew chief and are approved by the working people's council of the association. The pledge is signed by all members of the crew.

Article 64. (1) The payment for labor in the intercooperative economic associations is done in accordance with the output obtained and the incomes and profits achieved, so that self-management and self-financing are provided in each unit.

(2) The pay rights in the intercooperative economic associations are established on the basis of the pay and the rates, in money or in money and kind, under the conditions provided for the agricultural production cooperatives.

(3) The rights in kind are awarded by the associated cooperatives, within the limits and under the conditions set for cooperators.

Article 65. (1) The pay rights of the cooperators in the intercooperative economic associations of an agricultural and zootechnical type that do the same volume of work and achieve the same outputs as those stipulated for the state agricultural enterprises are established in accordance with the provisions of Law No 57/1974, applicable to these enterprises of a similar grade and type.

(2) The pay rights of the cooperators in the intercooperative economic associations of another type than the agricultural and zootechnical one are established in accordance with the provisions of Law No 57/1974, applicable to the artisan-cooperative or state economic units of a similar grade and type, if they do the same volume of work and achieve the same outputs.

Article 66. The profit stipulated in the income and expense budget of the intercooperative economic associations is allotted for:

a) Shares due the associated cooperatives, in proportion to the social part of each one, at least 65 percent for:

The repayment of investment loans;

The supplementation of the own incomes of the cooperatives;

b) The association's economic development fund, at least 20 percent;

c) The association's fund of circulating funds, up to 5 percent;

d) The association's sociocultural and sports fund, up to 1 percent;

- e) The association's reserve fund, up to 2 percent;
- f) The intercooperative mutual-aid fund, up to 2 percent;
- g) The fund for sharing profits with the cooperators and the other working people in the association, up to 5 percent.

Article 67. The profit that is achieved by the intercooperative economic association above that set by means of the plan is allotted for:

- a) Shares due the associated cooperatives, for supplementing their incomes in money, 45 percent;
- b) The association's economic development fund, 20 percent;
- c) The association's fund of circulating funds, 7 percent;
- d) The supplementation of the fund for sharing profits with the cooperators and the other working people in the association, 25 percent;
- e) The association's sociocultural and sports fund, 3 percent.

Article 68. The manner of and conditions for establishing the fund for sharing profits within the plan and over the plan, and the individual rights that are due the cooperators and the other working people in the intercooperative economic association, are those provided for the agricultural production cooperatives.

Chapter V The Guaranteed Income

Article 69. (1) The pay is given to the cooperators in money or in money and kind, in proportion to the physical output and the profits achieved.

(2) The base pay and the share of profits stipulated in the plan are guaranteed to the cooperators in the farms, brigades, sectors and crews that fulfill all the tasks that devolve upon them, do the work properly and achieve the pledged physical output without exceeding the expenses connected with it.

(3) The farm, brigade, sector or crew chief receives pay in relation to the results obtained by the entire formation that he runs and to the average incomes of its members.

(4) In the case of overfulfillment of the planned output, without exceeding the connected expenses, besides the pay due in accordance with Paragraph 1, additional pay in the form of sharing the profits obtained above the plan is guaranteed to the cooperators.

(5) In the case of nonfulfillment of the planned output and the profits, the pay is reduced accordingly.

Article 70. During the year, advances in money, in the quotas stipulated by the present law, and 50 percent of the pay rights due in kind, after the harvesting of the products, are provided to the cooperators.

Article 71. The assignment of a plot for use, from the land owned by the agricultural cooperative, under the conditions provided by statute, is guaranteed to the cooperators who participate in labor and achieve the volume of labor approved by the general assembly.

Article 72. Continuous service is credited to the cooperators who work permanently, throughout the year, in the sectors stipulated by the present law, in the same unit and in the same sector of activity, and the awarding of the increase for length of service is guaranteed to them.

Article 73. The agricultural production cooperatives and the intercooperative economic associations are obligated to achieve completely the physical output and the profits planned, to provide the balance between incomes and expenses and, in this way, to form the funds needed for paying and sharing profits with the cooperators, at least at the level stipulated in the production plan and the income and expense budget.

Chapter VI Other Pay Rights

Article 74. (1) The cooperators who perform their activity in zootechny, vegetable growing, viticulture and pomiculture, those who are trained and who work in the agricultural cooperative in the occupations of chauffeur, truck-tractor driver, fitter, electrician and others, and those who hold technical, economic and other specialized leadership and operational, administrative and service positions, who work throughout the year, permanently, fulfill the tasks that devolve upon them, are paid by the cooperative and have continuous service in the same unit and in the same sector of activity receive from each unit's pay fund an increase for continuous service.

(2) The period in which the cooperators mentioned in Paragraph 1 work temporarily in other sectors of production activity, for the use of the worktime and the performance of work required by the production process, also enters into the calculation of the continuous service in the same sector.

(3) The cooperators who work in the same unit can also benefit from the awarding of the increase for length of service when they change their labor sector, with the general assembly's approval, as a result of the acquisition of other training or the limitation of the activity in the sector from which they are transferred, due to the growth of the degree of mechanization or the changing of the type of production. In addition, the cooperators who go from one cooperative agricultural unit to another cooperative agricultural unit, with the general assembly's approval, retain the increase for length of service.

(4) The continuous service in the same unit, for the period before the present law's entry into force, is established in accordance with Paragraph 1.

(5) The increase is calculated in relation to the base pay, as follows:

<u>Brackets of Continuous Service in the Same Unit and the Same Sector</u>	<u>Quotas of the Base Pay</u>
between 5-10 years	2 percent
from 10-15 years	4 percent
from 15-20 years	6 percent
over 20 years	8 percent

(6) The cooperators mentioned in Paragraph 1 will receive the increase for continuous service in the same unit or the same sector if they have graduated from the courses for mass agricultural and zootechnical education or other forms of professional training and improvement to which they are sent by the agricultural production cooperative.

(7) Those who have, during a month, one or more unexcused absences lose the increase for continuous service for that month.

Article 75. (1) For the savings in the consumption of supplies, fuel and energy in relation to the quotas set, the cooperators in the work formations can receive bonuses during the year, in accordance with the law.

(2) The cooperators can also receive, under the conditions of Law No 57/1974, bonuses during the year for savings of manpower to the obtaining of which they contributed directly.

Article 76. The cooperators appointed by the general assembly to hold the positions of chairman, vice chairman gotten from production, farm chief or brigade chief, for the time that the occupants paid by the agricultural production cooperative take courses for the improvement of professional training or are on active duty, have a temporary work disability or are on maternity leave or on leave to take care of sick children, receive from the state the monthly allowance due the occupant in accordance with Article 39, with the exception of the vice chairman gotten from production who substitutes for the chairman. The allowance is awarded only if this period exceeds 30 calendar days.

Article 77. The cooperators who hold technical, economic and other specialized leadership and operational positions, for the period that they take professional training courses, receive from the cooperative pay set in accordance with Appendix 2.

Article 78. (1) For the contribution made to fulfilling the production plan, the agricultural cooperative gives to the chief engineer, the chief accountant and the farm chiefs, paid by the state, pay representing up to 15 percent of the pay due the position of chairman, in relation to the fulfillment of the plan for physical output.

(2) The agricultural specialists paid by the state, selected for the position of chairman, who also perform the duties of chief engineer receive pay of up to 25 percent of the pay due for the position of chairman, in relation to the achievement of the physical output.

(3) The agricultural specialists paid by the state, selected for the position of chairman, who do not also perform the duties of chief engineer, and the mechanization-section chiefs paid by the agricultural mechanization stations, selected for the

position of chairman, receive from the agricultural cooperative pay of up to 20 percent of the pay due the position of chairman.

(4) The pay mentioned in paragraphs 1-3 is approved by the general assembly of the agricultural production cooperative.

(5) The agricultural specialists and the chief accountant in the agricultural production cooperatives, paid by the state, share the profits achieved within the plan and above the plan, under the conditions set for cooperators.

Article 79. The cooperators, and the agricultural mechanics employed at the agricultural mechanization station, who, in addition to the activity performed in production, run a crew, receive from the cooperative an increase of up to 10 percent of the base pay or basic wage, respectively.

Chapter VII Final Provisions

Article 80. (1) The assignment of the agricultural production cooperatives and the intercooperative economic associations to grades of organization is done, on founding, by means of a decree of the State Council, at the proposal of the Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives and the executive committees of the county people's councils and that of the municipality of Bucharest.

(2) The assignment of the farms and sectors to grades of organization is done, on founding, by the Ministry of Agriculture and the Food Industry, at the proposal of the general directorate for agriculture and the food industry, on the basis of the criteria provided in the regulations in force.

(3) The changing of the grade of organization of the units and subunits mentioned in paragraphs 1 and 2 will be able to be done in the same way, where this is necessary, along with the approval of the sole national plan for economic and social development.

Article 81. (1) The management bodies of the cooperative agricultural units will take steps to ensure the performance of all work in the cooperative units by the co-operators, to fully use the worktime of the farm machinery operators and to train in the necessary occupations a suitable number of members of the cooperative.

(2) The agricultural mechanics in the agricultural mechanization sections, allotted to cooperatives, will be used first for the occupations of chauffeur, fitter, welder, electrician and others.

(3) In the case in which some work that requires training cannot be done completely by cooperators or farm machinery operators, by way of exception, with the approval of the general directorate for agriculture and the food industry, a limited number of persons trained in the occupations of chauffeur, fitter, welder, electrician and others, who will work directly in production, can be employed, with a work contract, in the agricultural production cooperatives and the intercooperative economic associations, on the basis of the standards drawn up by the Ministry of Agriculture and the Food Industry and the National Union of Agricultural Production Cooperatives, until cooperators are trained in these occupations.

(4) The cooperative agricultural units can employ shepherds, with a work contract, with the approval of the general directorate for agriculture and the food industry and within the limit of the standards mentioned in Paragraph 2.

(5) In addition, in the cooperative agricultural units, persons with technical, economic, financial and other specialized training and, in the intercooperative economic associations for utilization of agricultural products, operational personnel also can be employed with a work contract, within the limit of the structural standards approved by law.

(6) The payment of the personnel employed with a work contract by the agricultural production cooperative and the intercooperative economic association is done in accordance with the provisions of Law No 57/1974, on the condition of doing work of a volume and complexity similar to that established for the personnel of the state units of the same type and grade of organization, without exceeding the level of the pay of the respective positions or occupations in the artisan-cooperative or state units or the total monthly pay due the chairman of the agricultural production cooperative or the director of the intercooperative economic association, respectively.

(7) The appeals of the personnel employed with a work contract in connection with payment for labor are resolved in accordance with the provisions of Law No 57/1974.

Article 82. (1) The agricultural cooperatives that have big areas of land and do not have enough manpower to do the work in time and properly can get, as members of the cooperative, persons from other areas of the country where there is surplus manpower, if they establish their legal residence in the locality in which the cooperative has its headquarters.

(2) By way of exception, with the approval of the Ministry of Agriculture and the Food Industry and the National Union of Agricultural Production Cooperatives, at the proposal of the general directorates for agriculture and the food industry and the county unions of agricultural production cooperatives, the cooperative agricultural units can use workers employed with a work contract for the period of a production cycle or calendar year, who will work directly in production, in vegetable agricultural work or in zootechny.

(3) The pay of the workers who work for the period of a production cycle or calendar year will be set at the level of the pay of the cooperators in the same sector of activity who do similar work. The workers who work for the period of a calendar year receive grain for food consumption and for fodder, under the conditions set for cooperators.

Article 83. The forms of payment and the conditions for awarding the pay for the personnel employed with a work contract, in accordance with articles 81 and 82, are approved by the general assembly of each cooperative agricultural unit, in accordance with the present law.

Article 84. (1) The cooperators who work permanently and directly in the zootechnical sectors of the cooperative agricultural units, achieve the volume of work in accordance with the labor quotas that are applied in the state agricultural enterprises, and have a length of service of at least 20 years in the same unit can receive pensions in the amount of 80 percent of the level of the pensions set, in accordance with the law, for the workers in the state agricultural units.

(2) At the same time, under the conditions provided by law and by statute, the pensioners mentioned in Paragraph 1 receive a plot for use, the quantities of grain for food consumption and animal feed, and the other rights and advantages that are given the cooperators.

(3) For the persons who work in the agricultural mechanization stations, in enterprises or in other cooperative or state socialist units and who go to the zootechnical sectors of the cooperative agricultural units, the time worked in the units from which they come is also credited as length of service for setting the pension.

(4) For forming the resources needed for awarding the pensions in accordance with paragraphs 1 and 3, the contribution of the agricultural production cooperatives to the pension and social-insurance fund is set at 9.5 percent of the value of the gross output, and the contribution of the intercooperative economic associations is set at 4.5 percent of the value of the gross output.

Article 85. (1) The payment for the labor performed by other persons who, on the basis of the general assembly's decision, are used, by way of exception, to do agricultural work for which the cooperative does not have enough manpower is done on direct piecework terms with a rate per labor quota.

(2) In the case of a temporary work disability caused by a work accident in the cooperative, the persons indicated in Paragraph 1 receive aid under the conditions provided for cooperators.

Article 86. The payment for the labor of the persons who work under the conditions of articles 81, 82 and 85 will be provided by the cooperative agricultural units from their own pay fund.

Article 87. By way of exception, up to the start of the second half of 1982, the attendants for milk cows who completely fulfill the tasks that devolve upon them, but do not obtain the planned output, will receive the pay rights in relation to the output achieved, but not less than 80 percent of the rate of pay per labor quota, in accordance with the complexity of the work. The pay given under these conditions will be recovered from the pay rights due in relation to the output actually achieved, up to the end of 1982.

Article 88. (1) The violation of the provisions of the present law entails disciplinary, material, civil, contraventional or penal responsibility, as the case may be.

(2) For the failure to participate in labor, the failure to perform the work in time and with quality, the failure to use the equipment at full capacity, the poor management of public property or the violation of other norms of labor discipline, the following disciplinary sanctions can be applied, in accordance with the statute, to the members of the agricultural production cooperative:

a) The redoing of work of unsuitable quality without pay, or the payment of damages, under the conditions of the law, in the case in which the work cannot be redone;

b) The withholding of up to at most 10 percent of the pay due for the labor performed;

- c) The loss of the right to additional payment in the respective year;
 - d) The loss, for a limited time, of the right to obtain a plot for personal use, or the revocation of it during the year, in the case of the failure to participate in labor and to do the work.
- (3) The establishment and application of the disciplinary sanctions and the resolution of the protests against them are done under the conditions and with the procedure provided in the cooperative's statute and the regulation on internal order.

Article 89. The Ministry of Agriculture and the Food Industry, the National Union of Agricultural Production Cooperatives, the general directorates for agriculture and the food industry and the county unions of agricultural production cooperatives, the combined state and cooperative agroindustrial councils, and the managements of the cooperative agricultural units are responsible for the compliance with the legal provisions established in the field of payment for labor, organize the permanent supervision of the manner of application of the elements of the system of payment in cooperative agriculture and take steps regarding the efficient utilization of them, with a view to continually increasing the vegetable and animal agricultural production, raising the labor productivity, reducing the production costs and increasing the contribution of all the units to the formation of the state supply of agricultural products.

Article 90. Appendices 1 and 2 are an integral part of the present law.

Article 91. On the date of the present law's entry into force, Law No 27/1976 on the Payment for Labor in the Cooperative Agricultural Units, with the later amendments, and any other contrary provisions are repealed.

This law was adopted by the Grand National Assembly in the session of 1 April 1982.

Chairman
of the Grand National Assembly,
Nicolae Giosan

Bucharest, 1 April 1982.
No 1.

Appendix 1.

The Base Pay for the Cooperators Who Hold the Position of Chairman of the Agricultural Production Cooperative

The base pay for the cooperators who hold the position of chairman is established as follows:

1. At most up to 2.5 times the average annual income of the cooperators who work directly in production and perform the minimum volume of labor set by the general assembly, which represents 70 percent of the computational basis of the pay of the position of chairman.

2. To the pay calculated in accordance with the provisions in Point 1 is added pay established by awarding a number of labor quotas depending on the value of the physical output and on the unit's size and complexity, as follows:

a) Depending on the value of the physical output:

<u>The Value of the Physical Output (lei)</u>	<u>The Number of Labor Quotas Taken into Calculation Annually</u>
up to 6,000,000	85
6,000,001-9,000,000	90
9,000,001-12,000,000	95
12,000,001-15,000,000	100
15,000,001-20,000,000	105
20,000,001-25,000,000	110
25,000,001-30,000,000	115
over 30,000,000	120

b) Depending on the unit's size and complexity expressed by means of the number of conventional units of production:

<u>The Unit's Size and Complexity Expressed by Means of the Number of Conventional Units of Production</u>	<u>The Number of Labor Quotas Taken into Calculation Annually</u>
up to 2,000	45
2,001-3,000	50
3,001-4,000	55
4,001-5,000	60
5,001-6,000	65
over 6,000	70

The chairman's annual base pay, due in accordance with the provisions in Point 2, is determined by multiplying the labor quotas awarded depending on the value of the physical output and on the unit's size and complexity by the rate per labor quota taken into calculation in establishing the average income per cooperator mentioned in Point 1.

The number of conventional units of production is determined by equating the areas, according to categories of use and crops, the animal categories or activities in the cooperative with 1 hectare of wheat crops, on the basis of the coefficients established by means of the regulations in force.

The persons coming from other sectors of activity--industry, mass and public organizations, party and state activists--who hold the position of chairman, being employed with a work contract and paid by the cooperative, retain for a period of 2 years after the date of selection the pay had in the case when it is greater than that calculated for the position of chairman.

The monthly base pay calculated for the position of chairman in the agricultural production cooperatives whose annual value of the physical output exceeds 30 million lei will not be able to exceed the monthly basic wage of the position of director in the state agricultural enterprises of special grade.

Appendix 2.

The Level of Payment for the Cooperators Who Hold the Other Technical, Economic and Other Specialized Leadership and Operational, Administrative, Service and Watch Positions in the Agricultural Production Cooperative

I. The base pay of the cooperators who hold the other technical, economic and other specialized leadership and operational, administrative and service positions is established in relation to the average annual income of the cooperators who work directly in production and perform the minimum volume of labor set by the general assembly--representing 70 percent of the computational basis of the pay for these positions--and in relation to the value of the physical output and the unit's size and complexity, without being able to exceed a certain proportion of the base pay of the position of chairman, as follows:

<u>Positions Remunerated by the Agricultural Production Cooperative</u>	<u>Pay Calculated in Relation to the Average Annual Income of the Cooperators</u>	<u>Maximum Percentage of the Base Pay of the Chairman</u>
Vice chairman gotten from production	at most 2.3 times	up to 90 percent
Chief accountant:		
with higher economic education	at most 2.2 times	up to 90 percent
with secondary economic education	at most 2.1 times	up to 85 percent
with commercial gymnasium	at most 2.0 times	up to 80 percent
with general school	at most 1.9 times	up to 75 percent
Farm chief:		
on farms of grade I	at most 2.2 times	up to 90 percent
on farms of grade II	at most 2.1 times	up to 85 percent
on farms of grade III	at most 2.0 times	up to 80 percent
Brigade chief, sector chief	at most 2.0 times	up to 80 percent
Hydrotechnical-amelioration technician	at most 2.1 times	up to 85 percent
Economist with higher education	at most 2.0 times	up to 75 percent
Accountant, planner:		
with secondary education or commercial gymnasium	at most 1.8 times	up to 70 percent
with general school	at most 1.6 times	up to 65 percent
Farm accountant with secondary education:		
on farms of grade I	at most 1.7 times	up to 70 percent
on farms of grade II	at most 1.6 times	up to 65 percent
on farms of grade III	at most 1.5 times	up to 60 percent
Farm accountant with general school:		
on farms of grade I	at most 1.6 times	up to 65 percent
on farms of grade II	at most 1.5 times	up to 60 percent
on farms of grade III	at most 1.4 times	up to 55 percent
Commodity-science expert, stockkeeper:		
with secondary education	at most 1.8 times	up to 75 percent
with general school	at most 1.6 times	up to 65 percent
Buyer, cashier	at most 1.3 times	up to 50 percent
Secretary-typist	at most 1.2 times	up to 50 percent

The pay of the farm, brigade and sector chiefs who have technical or specialized technical secondary training can be raised by up to 5 percent.

The pay of the agricultural technicians who hold the position of farm chief, employed by the agricultural production cooperative with a work contract, will be two pay grades below that set for the position of farm chief with higher education, paid by the state, without exceeding the rights due the chairman of the cooperative, resulting from the base pay and the allowance given by the state.

II. The watchman and the watchman-attendant are paid for each day worked at the rate per labor quota applied by the agricultural production cooperative for the work in group I of complexity in vegetable production.

III. The Establishment of the Pay of the Cooperators Who Take the Courses for Qualification and Improvement of Professional Training

The members of the agricultural production cooperatives with technical, economic and other specialized leadership positions will be paid with the base pay during the qualification and improvement courses with a duration of up to 1 month.

For the qualification and training courses that exceed the duration of 30 days, they will receive from the agricultural cooperative, for the period of schooling, a monthly pay equal to the average monthly income achieved in the last 12 months, and the aid for children. The allowance from the state is also included in the average monthly income.

The cooperators who take instruction, qualification and improvement courses will receive from the cooperative, for each day, including the test sessions, the rate of a quota in group I of complexity in vegetable production. During the practical training in production, the payment will be done in relation to the labor performed in production, in accordance with the decision of the general assembly of the agricultural production cooperative.

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CSO: 2700/304

CAPITAL INVESTMENT PROJECTS UNDER CONSTRUCTION IN KOSOVO

Pristina RILINDJA in Albanian 8 Jul 82 p 7

[Text]

(In Million Dinars)

Economic Area	No.	Original Value	Cost Overrun	Total
Industry	53	30,127	12,391	42,518
Agriculture	82	4,803	407	5,210
Water management	2	3,680	7,465	11,145
Construction	7	657	4	661
Roads, Transport System	5	1,242	147	1,389
Commerce	2	95	24	118
Hotel, tourist sector	4	437	219	656
Artisan and small business sector	1	127	77	204
TOTAL	156	41,168	20,733	61,901

The major source of capital investment funds is the Federal Fund [for Financing the Faster Development of the Underdeveloped Republics and the Province of Kosovo], namely, it provided 55.7 percent of the funds [for Kosovo] in the last 5-year plan period. It is expected that capital investments available this year will amount to over 25.7 billion dinars, including 12.3 billion dinars in credits from the Federal Fund and 6.2 billion dinars not used through pooling of labor and funds from last year. The remaining funds will come from other sources, largely from World Bank credits.